

CORPORATE GOVERNANCE

POLICIES AND PROCEDURE MANUAL
VERSION NO.6 2022

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MANUAL VERSION CONTROL

	NAME	DESIGNATION	SIGNATURE	DATE
PREPARED BY:	MOHAMMED KADHIM	LEGAL CONSULTANT		
REVIEWED BY:	SAMEER ALWAZZAN	CEO		
REVIEWED BY CHAIRMAN OF THE AUDIT, COMPLIANCE & RISKS COMMITTEE:	REDHA ABDULLA FARAJ	ACRC CHAIRMAN		
APPROVED BY CHAIRMAN OF THE BOARD OF DIRECTORS:	FAROOQ YUSUF ALMOAYYED	BOARD CHAIRMAN		

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DEFINITIONS

TERM	MEANING
The Company	Bahrain National Holding B.S.C (Closed) (“BNH”)
The Manual	Corporate Governance Manual
ACRC	Audit, Compliance and Risks Committee
NRGC	Nomination, Remuneration and Governance Committee
EIC	Executive and Investment Committee
IA	Internal Audit
CEO	Chief Executive Officer of the Group
BB	Bahrain Bourse
CBB	Central Bank of Bahrain
HC	High Level Control Module of CBB Rulebook
PD	Public Disclosure Standard issued by CBB
CCL	Commercial Companies Law
CGC	Corporate Governance Code
AGM	Annual General Assembly Meeting
EGM	Extra General Assembly Meeting
THE BOARD	BNH Board of Directors

MODULE - 1

INTRODUCTION

1.1 PREAMBLE

- 1.1.1 Corporate Governance is a methodology to lead, guide and control the company's business. It includes mechanisms to regulate the various relationships between the BoD, executives, shareholders and stakeholders by establishing special rules and procedures to facilitate decision making as well as follow-up foundations to evaluate and monitor performance and to ensure transparency and credibility, for the purpose pf of protecting the rights of shareholders and stakeholders and achieving justice, competitiveness and transparency.
- 1.1.2 The Corporate Governance Manual (CGM), commonly referred to as the "MANUAL", is a framework for the way in which corporate governance is carried out within **BAHRAIN NATIONAL HOLDING COMPANY BSC (Closed), BNH**.
- 1.1.3 These policies adhere to the corporate philosophy of The Company to establish and maintain corporate governance policies and practices, which reflect both the requirements of the market and those who regulate the market and the expectations of shareholders and others who deal with the organization. The Board of Directors works with the management team towards these goals, with a focus on maintaining and enhancing long-term shareholder value.

1.2 PURPOSE

- 1.2.1 The corporate governance manual is intended to be a guide for the Board of directors, senior management and the departmental heads, and should help the management in adhering to the Corporate Governance Code for the Kingdom of Bahrain, the CBB Rulebook High Level Controls (HC) Module and best practices in disclosure.
- 1.2.2 The objective of this manual is to set detailed local policies and procedures required to be complied with, which ensure to provide long-term enhanced shareholder value through clear and certain disclosure and accountability.

1.3 DISTRIBUTION

- 1.3.1 The Corporate Governance Manual contains confidential information. With the exception of legal advisors and other persons authorized by the management, no part of the contents of the manual is to be made available to any persons, organization or institution outside The Company.
- 1.3.2 Relevant modules of this manual shall be made available to all Directors, members of senior management, departmental heads and other employees. Departmental Heads will be responsible for the control and custody of the copies made available to them. In the normal course, access to the manual will be made only in accordance with the confidentiality policy of the company.

1.3.3 The Corporate Secretary will maintain a distribution list of the manual. Any amendments to the manual will be distributed by the Corporate Secretary of the board to the personnel listed in the distribution list.

1.3.4 The Board of Directors must approve all additions and amendments to this manual, where appropriate.

1.4 RESPONSIBILITY

1.4.1 The Audit, Compliance and Risk Committee (ACRC) via Compliance Department shall be vested with the responsibility of monitoring the compliance with the requirements of this manual.

1.4.2 Any suspected violation of the policies contained herein should be reported to the Nomination, Remuneration & Corporate Governance Committee (NRCG) and if necessary, escalated to the Board.

1.5 REVIEW AND UPDATE OF THE MANUAL

1.5.1 The manual is a statement of BNH current policies. These policies have been established and will be reviewed periodically in line with the Company's philosophy, need and the circumstances prevailing in the Company's area of operation at any point of time.

1.5.2 Amendments and revisions will take the form of revised policies, which supersede the previous policy. Such amendments will be sent to the authorized persons for necessary review and approval.

1.6 PROCEDURES FOR AMENDMENT AND APPROVAL

1.6.1 Any changes to the manual may be initiated by the Board Secretary and Compliance Department Head under following circumstances:

1.6.1.1 Change in statutory acts.

1.6.1.2 Any new rules brought about by CBB concerning insurance industry.

1.6.1.3 Any operational requirement as approved by management.

1.6.1.4 Any other situation where the revised manual will bring about economies of scale and improved efficiency.

1.6.1 The proposed amendments as suggested by the Board Secretary and Compliance Department Head, Internal or External Auditors / Consultants as appropriate will be reviewed by the CEO/ General Manager, ACRC Committee, and finally approved by the Board.

1.6.2 On the top of the manual a sign off sheet will be kept to record the approval of changes made to the manual from time to time.

1.6.3 The manual and all amendments thereafter shall comply with CBB Rulebook.

1.6.4 This manual shall be duly approved by the Board of Directors.

1.7 EFFECTIVE DATE

1.8.1 This manual is effective from the date of adoption.

MODULE - 2

CORPORATE GOVERNANCE FRAMEWORK

2.1 GENERAL POLICIES

- 2.1.1 The company is committed to maintaining the highest standards of corporate governance in its dealings with its various stakeholders.
- 2.1.2 It is an integral part of the company's core values, which include transparency, integrity, honesty and accountability.
- 2.1.3 The Company follows the philosophy of working towards the creation of wealth by enhancing the value of stakeholders, meeting the needs of customers and employees and the community at large.

2.2 PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- 2.2.1 The Company has identified the following as the key principles of corporate governance. The Principles include those presented in the CBB Rulebook, HC Module which deals specifically with Corporate Governance:
 - 2.2.1.1 Transparency in Board processes and independence in the functioning of Boards;
 - 2.2.1.2 Leadership, supervision, internal controls and risk management;
 - 2.2.1.3 Accountability to stakeholders through strong communication and disclosure processes;
 - 2.2.1.4 Fairness to all stakeholders;
 - 2.2.1.5 Product and service quality;
 - 2.2.1.6 Social, regulatory, and environmental concern;
 - 2.2.1.7 The Company shall be headed by an effective, collegial and informed Board;
 - 2.2.1.8 Approved persons must have full loyalty to the Company;
 - 2.2.1.9 The Board must have rigorous controls for financial audit, and reporting, internal control and compliance with the law;
 - 2.2.1.10 The Company must have rigorous procedures for appointment, training and evaluation of the Board;
 - 2.2.1.11 The Company must remunerate approved persons fairly and responsibly;
 - 2.2.1.12 The Board must establish a clear and efficient management structure;
 - 2.2.1.13 The Company must communicate with Shareholders, encourage their participation, and respect their rights; and
 - 2.2.1.14 The Company must disclose its Corporate Governance.
 - 2.2.1.15 The Company will focus to achieve good corporate governance by the policies, which are in line with the above principles.

2.3 OBJECTIVES

- 2.3.1 The overall endeavor of the Board should be to take the organization forward, to maximize long-term value and shareholders' wealth.
- 2.3.2 Following are the objectives to be achieved by the corporate governance towards the shareholders and stakeholders of the company:
 - 2.3.2.1 Protect the rights of shareholders;
 - 2.3.2.2 Give equal treatment of shareholders;
 - 2.3.2.3 Consider the interest of the of stakeholders;
 - 2.3.2.4 Discharge the legal obligation provided by the various acts
 - 2.3.2.5 That a properly structured Board capable of taking independent and objective decisions is in place at the helm of affairs;
 - 2.3.2.6 That the Board is balanced as regards the representation of adequate number of non-executive and independent directors who will take care of the interests and wellbeing of all the stakeholders.
 - 2.3.2.7 That the Board adopts transparent procedures and practices and arrives at decisions on the strength of adequate information.
 - 2.3.2.8 That the Board keeps the shareholders informed of relevant developments affecting the company.
 - 2.3.2.9 That the Board effectively and regularly monitors the functioning of the management team; and
 - 2.3.2.10 That the Board remains in effective control of the affairs of the company at all times.
 - 2.3.2.11 Establish a system that governs and controls the company's businesses and practices in order to create efficient institutions which contribute to building a strong, transparent and competitive national economy for the purpose of reducing any adverse effects on the national economy, acting parties and local community due to not committing to the best practices in managing joint stock companies.

2.4 FACTORS INFLUENCING QUALITY OF CORPORATE GOVERNANCE

- 2.4.1 Quality of governance primarily depends on the following factors:
 - 2.4.1.1 Integrity of the Management
 - 2.4.1.2 Ability of the Board
 - 2.4.1.3 Adequacy of the process
 - 2.4.1.4 Commitment level of individual Board members
 - 2.4.1.5 Quality of corporate reporting
 - 2.4.1.6 Participation of stakeholders in the management.

2.5 MEANS OF ACHIEVEMENT

- 2.5.1 The objectives of corporate governance shall be achieved by establishing and implementing Corporate policies on the following subjects:
 - 2.5.1.1 Regulation of the functioning of the Board of Directors by clear identification of powers, roles, responsibilities and accountability of the Board;
 - 2.5.1.2 Regulation of the Directors by prescribing code of conduct;
 - 2.5.1.3 Corporate code of conduct and ethics to be followed by all the employees, staff, senior management and the Board;
 - 2.5.1.4 Equitable treatment of shareholders;
 - 2.5.1.5 Restrictions on key persons trading;
 - 2.5.1.6 Disclosure and reporting norms;
 - 2.5.1.7 Risk Management; and
 - 2.5.1.8 Monitoring compliance – Audit and Compliance Committee.

2.6 REPORTING COMPLIANCE WITH CORPORATE GOVERNANCE

- 2.6.1 At each annual shareholders' meeting, the Board shall report on the Company's compliance with these guidelines and the Bahrain Code of Corporate Governance. It shall report on the degree to which it has deviated from these documents, and why any such deviation was justified.
- 2.6.2 The Compliance officer should provide the ACRC Committee annually with a summarized report on the compliance status with this manual.
- 2.6.3 Further disclosures required by the Bahrain Code of Corporate Governance are set out in appendix 4.
- 2.6.4 The Corporate Governance Code for the Kingdom of Bahrain is based upon the Comply or Explain principle. The Code itself comprises rules and guidance. Rules must be complied with. The Company may explain why it does not comply with guidance. Explanation for non-compliance must be made to the shareholders by way of an annual report. Corporate Gov. Code (CGC)
- 2.6.5 Corporate Governance is a standing agenda item at shareholder meetings. Such meetings act as a forum at which shareholders can ask questions about the Company's Corporate Governance. Corporate Gov. Code (CGC)

2.7 CORPORATE GOVERNANCE OFFICER

- 2.7.1 The company must appoint one employee as the company's corporate governance officer to carry out the tasks of verifying the company's compliance with corporate governance rules, the laws, regulations and resolutions issued to implement them. Corporate Gov. Code (CGC)

2.7.2 The corporate governance officer shall have the authority to contact or request information from the BoD, its committees or the executive management. Corporate Gov. Code (CGC)

2.7.3 The corporate governance officer shall:

- Coordinate and follow up with the Concerned Department on the regulatory requirements for Corporate Governance.
- Ensure that the policies and implementation of the company's Corporate Governance are consonant with the regulatory and legal requirements to which the company is pursuant.
- Ensure the availability of internal control systems which guarantees the implementation of the principles stated in this code.
- Work and coordinate with the BoD and the corporate governance committee on a permanent basis to improve the implementation performance in the company.
- Review the annual report of governance, which is part of the company's annual financial report, to assure its contents and conformity with the company's internal and control requirements.

MODULE - 3

REGULATION OF BOARD OF DIRECTORS

3.1 POLICIES

3.1.1 The Board should establish and maintain a statement of its responsibilities, defining its functions & tasks and those delegated to Board sub-committees. (HC-1.2.4) (Vol.6)

3.1.2 Board Sub Committees

3.1.2.1 Every committee should have a formal written charter, including the elements as stipulated in the Bahrain Code of Corporate Governance. These should be reviewed annually. Corporate Gov. Code (CGC)

3.1.3 Committees must act only within their mandates. The Board must not allow any committee to dominate or effectively replace the whole Board in its decision making responsibility. Corporate Gov. Code (CGC)

3.1.4 Committees may be combined provided that no conflict of interest might arise between the duties of such committees. Corporate Gov. Code (CGC)

3.1.5 Committees should be structured in order to address potential conflicts of interest.

3.1.6 At a minimum the Board must establish an Audit, Nomination and Remuneration Committee. The Board may establish other committees, such as Risk and Executive Committees (HC-1.8.1) (Vol.6).

3.2 SIGNIFICANT RESPONSIBILITIES

3.2.1 Overseeing the effective management and control of the Company.

3.2.2 Reviewing and approving at least annually the overall business performance strategy. In assessment of strategic plans, the Board addresses the Company's current and future aspirations with respect to its position in the market place, its size, products, value, and other key aspirations. A description of the strategy will be included in the annual financial statements. (HC-1.2.2(a)) (Vol.6)

3.2.3 Causing Financial statements to be prepared which accurately disclose the Financial Position. (HC-1.2.2(b)) (Vol.6)

3.2.4 Review of management structure and responsibilities at least annually. (HC-1.2.4(b)) (Vol.6)

3.2.5 Monitoring management performance. (HC-1.2.2(c)) (Vol.6)

3.2.6 Reviewing regularly the level of risk. The Board will demonstrate that it is able proactively to identify and understand the significant risks that the Company faces, in achieving its business objectives. (HC-1.2.2(i)) (Vol.6)

3.2.7 Reviewing and approving at least annually the systems and controls framework (including policies and procedures). (HC-1.2.4(c)) (Vol.6)

- 3.2.8 Convening and preparing the agenda for shareholders' meetings. (HC-1.2.2(d)) (Vol.6)
- 3.2.9 Monitoring conflicts of interest and preventing abusive related party transactions. (HC-1.2.2(e)) (Vol.6)
- 3.2.10 Monitoring company's financial performance and the success of its products, services and strategies. (HC-1.2.2(i)) (Vol.6)
- 3.2.11 Establishing effective communications with the Company's stakeholder groups. Assuring equitable treatment of shareholders, including minority shareholders. (HC-1.2.2(j)) (Vol.6)
- 3.2.12 Setting out clearly and reviewing on a regular basis who has authority to enter the Company into contractual obligations. Set a materiality threshold so that contractual obligations above this threshold are regularly reported to the Board, in setting the threshold, the Board will consider the financial impact the contractual obligation may have in relation to its capital.) (HC-1.2.2(l)) (Vol.6)
- 3.2.13 The Board as a whole is responsible for selecting candidates for the Senior Management (CEO/GM). While the NRGC may make recommendations as to appointments, the Board must retain responsibility for selection.
- 3.2.14 Identification, selection and prescription of policies affecting the operation of the company.
- 3.2.15 Succession planning to ensure continuity of company's operation in spite of changes in the senior management and key personnel.
- 3.2.16 Ensure compliance with the Bahrain Code of Corporate Governance, ethics standards, company's memorandum and articles of association and legislative/regulatory requirements. The Board is responsible for ensuring the accuracy and completeness of the Company's Corporate Governance guidelines.
- 3.2.17 Assessment of its own performance in discharge of its duties and responsibilities.
- 3.2.18 Establishing policies and systems for accountability and disclosure of all relevant material information to the company and the shareholders.
- 3.2.19 All Directors should understand the Board's roles and responsibilities under company law, in particular:
- 3.2.20 The Board's role as distinct from shareholders and officers; (HC-1.2.1(a)) (Vol.6)
- 3.2.21 The Board's fiduciary duties of care and loyalty to the company and shareholders. (HC-2.1) (HC-10.1.3(b)) (Vol.6)
- 3.2.22 Directors are responsible individually and collectively for performing the responsibilities of the Board. The Board must have sufficient expertise to understand the important issues relating to the Company's operations and control. Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place. This must be clearly communicated to the Board and senior management. (HC-1.2.3) (Vol.6)
- 3.2.23 Directors must establish and maintain effective systems and controls for compliance with applicable legislation and statutory requirements.

3.3 REQUIREMENTS OF THE BOARD

3.3.1 **BOARD SKILLS**

3.3.1.1 The Board must possess the necessary blend of qualities, skills, knowledge and experience.

3.3.1.2 Each of the directors should make quality contribution.

3.3.1.3 A Board should have a mix of the following skills, knowledge and experience:

- Operational or technical expertise and leadership;
- Financial skills;
- Legal skills and
- Knowledge of Government and regulatory requirement.

3.3.2 **BOARD APPOINTMENTS**

3.3.2.1 The Board positions should be filled through the process of election in the AGM.

3.3.2.2 A well-defined and open procedure must be in place for the reappointments and appointment of new directors.

3.3.2.3 Appointment mechanism should meet all statutory and administrative requirements.

3.3.2.4 High on the priority should be an understanding of skill requirements of the Board particularly at the time of making a choice for appointing a new director.

3.3.2.5 A signed written appointment letter should be in place between the Company and each Director. This should cover Directors' powers, and duties and all other matters relating to the appointment, including: term; envisaged time commitment; committee assignment; remuneration and expense reimbursement entitlement; and access to independent advice when needed. The letter should also stipulate any business conducted by the Director which competes directly with that of the Company. (HC-1.2.6) (Vol.6)

3.3.2.6 The Board should not have more than 15 members, and have a minimum of 5. (HC-1.3.5) (Vol.6)

3.3.2.7 At least half the Board's members, including the Board Chairman, must be non-executive Directors and at least three of those persons should be independent Directors. (HC 1.4.4) (Vol. 6) & (CG Code- principle 11.2)

3.3.2.8 The Board should regularly review its size and composition to ensure that it is small enough for efficient decision making, yet large enough to have members who can contribute from different specialties and viewpoints. Changes to its size and composition should be recommended to the shareholders when a needed change requires amendment of the Company's Memorandum of Association. (HC-1.3.5) (Vol.6)

3.3.2.9 The Board must periodically assess its composition and size and, where appropriate, reconstitute itself and its committees by selecting new Directors to replace long-standing members or those whose contributions to the licensee or its committees is not adequate. (HC-1.3.5) (Vol.6)

3.3.3 BOARD INDUCTION, TRAINING AND APPRAISAL

3.3.3.1 An orientation process should be put in place so that each new Director is provided an overview of the Board's role and duties, company business, and strategy, corporate governance, legal and regulatory requirements and other matters. Induction should be undertaken by the Chairman of the Board, with the assistance of legal counsel or the Company's legal officer. Potential non-executive directors should be made aware of their duties before their nomination, particularly as to the time commitment required. The Nominating Committee should regularly review the time commitments required from each non-executive director and should require each non-executive director to inform the Committee before he accepts any Board appointments to another company. One person should not hold more than three directorships in public companies in Bahrain with the provision that no conflict of interest may exist, and the Board should not propose the election or reelection of any director who does. (HC-4.5.1) (HC-4.5.2) (Vol.6)

3.3.3.2 Directors must have a broad understanding of the area of operation of the company's business, corporate strategy and challenges being faced by the Board.

3.3.3.3 Attendance at continuing education and professional development programs is essential to ensure that directors remain abreast of all developments, which are or may impact on their corporate governance and other related duties.

3.3.3.4 At least annually the Board shall conduct an evaluation of its performance, and the performance of each committee, and each individual Director, the evaluation process shall include: (HC-1.9.1) (Vol.6)

- Assessment of Board operation, with particular reference to principle 1 of the Bahrain Code of Corporate Governance; (HC-1.9.2(a)) (Vol.6)
- Performance evaluation of each committee against its specific purpose and responsibilities, including self-evaluations undertaken by each committee; (HC-1.9.2(b)) (Vol.6)
- Review of the work of each Director, attendance at Board and Committee meetings, and constructive involvement in discussions and decision making; (HC-1.9.2(c)) (Vol.6)
- Review of the Board's composition against its desired composition. This will be undertaken in order to maintain an appropriate balance between skills and experience as well as to ensure progressive refreshing of the Board. (HC-1.9.2(d)) (Vol.6)

Evaluation is the responsibility of the entire Board. However, the process should be organized and assisted by an internal committee of the Board. External advice should be available to the committee when necessary. (HC-1.9.3) (Vol.6)

The Board will report to shareholders at each shareholder meeting as to whether evaluations have been undertaken. The findings of evaluations will be reported at shareholders' meetings. (HC-1.9.4) (Vol.6)

3.3.4 BOARD INDEPENDENCE

- 3.3.4.1 Independent Board is essential for sound corporate governance.
- 3.3.4.2 This goal may be achieved by associating sufficient number of independent directors with Board.
- 3.3.4.3 Independence of directors would ensure that there are no actual or perceived conflicts of interest.
- 3.3.4.4 It also ensures that the Board is effective in supervising and, where necessary, challenging the activities of management.
- 3.3.4.5 The Board needs to be capable of assessing the performance of managers with an objective perspective. Accordingly, sufficient number of Board members (as required by the corporate governance manual) should be independent of both the management team and any commercial dealings with the company.
- 3.3.4.6 No Director may have directorship of more than five (5) Public Joint Stock Companies in the Kingdom of Bahrain, provided that no conflict of interest may exist. The Board may not propose the election or re0election of any director who participates in more than five companies BoDs. (CG code Principle 1 clause 8)

3.3.5 DIRECTORS' INDEPENDENCE OF JUDGMENT

- 3.3.5.1 Every Director should bring independent judgment to bear in decision making. No individual or group of Directors should dominate the Board's decision making and no one individual should have unfettered powers of decision. (HC-1.4.1) (Vol.6)
- 3.3.5.2 Executive Directors should provide the Board with all relevant business and financial information within their cognizance. (HC-1.4.2) (Vol.6)
- 3.3.5.3 Executive Directors should recognize that their role as Directors differs from that as an officer of the Company. (HC-1.4.2) (Vol.6)
- 3.3.5.4 Non-executive Directors should be fully independent of management and should constructively scrutinize and challenge management including the management performance of executive Directors. (HC-1.4.3) (Vol.6)
- 3.3.5.5 At least half the Company's Board should be non-executive Directors. At least 3 of those people should be independent, as defined by the Bahrain Code of Corporate Governance; (HC-1.4.4) (Vol.6)
- 3.3.5.6 The Board's non-executive Directors must comprise a sufficient number of independent Directors to apply independent judgment to, amongst other things, tasks where there is a potential for conflict of interest or there is a need for impartiality. The Board must include at least two independent non-executive directors. (HC-1.4.7) (Vol.6)
- 3.3.5.7 The Chairman of the Board should be an independent Director, and should not be the same person as the CEO. (HC-1.4.6A) (HC-1.4.5) (Vol.6)
- 3.3.5.8 The Board will review the independence of each director at least annually in light of interests disclosed by them. Each independent Director will provide the Board with necessary updated information for this purpose. (HC-1.4.6) (Vol.6)

- 3.3.5.9 Each Board meeting will be preceded or followed by a session at which only independent Directors are present, except as may be otherwise determined by the independent Directors themselves. (HC-1.4.8) (Vol.6)
- 3.3.5.10 Each Director must consider himself as representing all shareholders and must act accordingly. The Board must avoid having representatives of specific groups or interests within its membership and must not allow itself to become a battleground of vested interests. If the Company has a controller (or a group of controllers acting in concert) the latter must recognize its or their specific responsibility to the other shareholders, which is direct and is separate from that of the Board of Directors. Should the Company have a controlling shareholder, at least one-third of the Board must be independent directors. Minority shareholders must generally look to independent directors' diligent regard for their interests, in preference to seeking specific representation on the Board. (HC-1.6.1) (HC-1.5.1) (Vol.6)
- 3.3.5.11 Should such a situation arise, the Board will inform the Controller and Shareholders, of controllers' specific responsibilities regarding their duty of loyalty to the insurance licensee and conflicts of interest (see Chapter HC-2) and also of rights that minority shareholders may have to elect specific directors under the Company Law or if the insurance licensee has adopted cumulative voting for directors. The chairman of the Board should take the lead in explaining this with the help of company lawyers. (HC-1.5.3) (Vol.6)
- 3.3.5.12 The company should outline its criteria and materiality thresholds for the definition of 'independence' in accordance with Corporate Governance Code (CGC). Directors must be identified in the annual report as executive, non-executive, or independent non-executive.

3.3.6 BOARD MEETINGS

- 3.3.6.1 Directors must devote sufficient time and give due attention to meet their obligations. Attending Board meetings regularly and preparing thoroughly before entering the boardroom increases the quality of interaction at Board meetings.
- 3.3.6.2 Board meetings are the forums for Board decision-making.
- 3.3.6.3 These meetings enable directors to discharge their responsibilities.
- 3.3.6.4 The effectiveness of Board meetings is dependent on carefully planned agendas and providing Board papers and materials to directors sufficiently prior to Board meetings.
- 3.3.6.5 Board meetings should take place at least four times per year. All Directors must attend the meetings whenever possible. Directors should maintain informal communication between meetings. (HC- 1.3.7) (Vol.6)
- 3.3.6.6 In accordance with the Code of Corporate Governance, the Board will aim to meet at least once every quarter, in order to address its responsibilities for management oversight and performance monitoring. Members should step down if they are not actively participating in Board meetings. Nonattendance at Board meetings does not absolve members of their duties as Directors. All Directors are expected to contribute actively to the work of the Board in order to discharge their

responsibilities, and should make every effort to attend Board meetings where major issues are to be discussed. (HC-1.3.9) (HC-1.3.8) (Vol.6)

3.3.6.7 The Chairman should ensure that all Directors receive an agenda, minutes of prior meetings, and adequate background information in writing before each Board meeting and when necessary between meetings. All Directors should receive the same information. Directors should also note that they have a duty to inform themselves, and they should ensure that they receive adequate and timely information and should study it carefully.

3.3.6.8 The Board and its committees must also maintain adequate records of its meetings, such that key decisions and how they are arrived at can be traced. Board minutes will be recorded for each meeting in a special register, signed by the members present at the meeting and secretary of the Board. Corporate Gov. Code (CGC)

3.3.7 **BOARD RESOURCES**

3.3.7.1 Board members should have sufficient resources to enable them to discharge their duties effectively.

3.3.7.2 It includes an access for director to independent legal and professional advice at the company's expenses. Directors should have access to such advice whenever they judge it necessary in order to discharge their duties as Directors. Corporate Gov. Code (CGC)

3.3.7.3 Individual Directors should also have access to the Board Secretary, who should have responsibility for reporting to the Board on Board procedures, (Appointment and removal of the Secretary should be a matter of the Board as a whole, rather than the CEO/ GM or any other officer). Corporate Gov. Code (CGC)

3.3.7.4 Whenever a Director has serious concerns which cannot be resolved concerning the running of the Company, or a proposed action, he should consider seeking independent advice, and that such concerns are recorded in the Board minutes and that any dissent from a Board decision is noted or delivered in writing. Should a non executive Director resign as a result of such concerns, these should be set out in a letter to the Board chairman and circulated to the Board as a whole. Corporate Gov. Code (CGC)

3.3.7.5 Board Directors should have free access to the Company's management beyond that provided in Board meetings. Such access should be by way of the CEO or Chairman of the Audit Committee. Management should be informed by the Board of this policy. The Board should also encourage active participation, where appropriate, by management in Board meetings where they are directly concerned. Corporate Gov. Code (CGC)

3.3.7.6 The Board or a committee may invite non-directors to participate in, but not vote at committee meetings so that the committee may gain the benefit of their advice and expertise in financial or other areas. Corporate Gov. Code (CGC)

3.4 **ASSESSMENT OF MANAGEMENT FRAMEWORK**

The Board will have effective policies and procedures in place for:

3.4.1 Ensuring a formal and transparent Board nomination process. Corporate Gov. Code (CGC)

3.4.2 Appointing senior managers, and ensuring that they have the necessary integrity, technical and managerial competence, and experience. Corporate Gov. Code (CGC)

- 3.4.3 Overseeing succession planning, and minimizing undue reliance on key individuals. Corporate Gov. Code (CGC)
- 3.4.4 Reviewing key senior management and Board remuneration packages and ensuring such packages are consistent with the corporate values and strategy of the licensee and encourage prudent risk taking. Corporate Gov. Code (CGC)
- 3.4.5 Monitoring and evaluating management's performance in implementing agreed strategy and business plans, and ensuring appropriate resources are available; Corporate Gov. Code (CGC) and
- 3.4.6 Approving budgets and reviewing performance against those budgets. (CGC- Principle 1 , b-4)

3.5 ASSESSMENT OF SYSTEMS AND CONTROL FRAMEWORKS

The Board will demonstrate that its operations, individually and collectively:

- 3.5.1 Are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the licensee's activities. These should pro-actively identify as well as monitor risk. The systems should produce information on a timely basis, and in a form and quality appropriate to the needs of the different recipients; (HC-1.2.10) (Vol.4)
- 3.5.2 Are supported by an appropriate control environment. The risk management and financial reporting functions must be independent of business lines and must be run by individuals not involved with the day-to-day running of the various business areas; (HC-1.2.10(b)) (Vol.4) and
- 3.5.3 Make effective use of the work of internal and external auditors.

3.6 ATTENDANCE AT BOARD MEETINGS

- 3.6.1 Individual board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively. Voting and attendance proxies for board meetings are prohibited at all times. (HC-1.3.7) (Vol.6)

Meetings Per Year	75% Attendance Requirement
4	3
5	4
6	5
7	5
8	6
9	7
10	8

- 3.6.2 The absence of Board members at Board and committee meetings must be noted in the meeting minutes. In addition, Board attendance percentage must be

reported during any general assembly meeting when Board members stand for re-election. (HC-1.3.8) (Vol.6)

3.6.3 In the event that a Board member has not attended at least 75% of Board meetings in any given financial year, the company must immediately notify the CBB indicating which member has failed to satisfy this requirement, his level of attendance and any mitigating circumstances affecting his non-attendance. The CBB shall then consider the matter and determine whether disciplinary action, including disqualification of that Board member pursuant to Article 65 of the CBB Law, is appropriate. Unless there are exceptional circumstances, it is likely that the CBB will take disciplinary action. (HC-1.3.10) (Vol.6)

3.6.4 Members should step down if they are not actively participating in Board meetings. (HC-1.3.9) (Vol.6).

3.7 ANNUAL BOARD REVIEW AND CERTIFICATION

3.7.1 The Board must assess and document each year whether the internal corporate governance processes that it has implemented have successfully achieved their objectives, and consequently whether the Board has fulfilled its responsibilities for directing and monitoring the overall conduct of the licensee's affairs. (HC-1.11.1) (Vol.4)

3.7.2 The results of the review must be summarized in a written certification, to be signed by all Board members, and sent to the CBB within 3 months of the financial year-end of the licensee. The Board must report any material deficiencies identified during the review, along with an action plan and timescales for their correction. (HC-1.11.2) (Vol.4)

3.7.3 The Board review should cover the following specific matters: (HC-1.11.5) (Vol.4)

3.7.3.1 That the Board has reassessed the licensee's objectives and plans, and has reviewed the licensee's corporate strategy document; (HC-1.11.5(a)) (Vol.4)

3.7.3.2 That the Board has reassessed the licensee's overall risk profile, and its mapping of risks and the control environment put in place to meet those risks (see Paragraph HC-6.3.4). The Board must comment whether the control environment remains effective and appropriate; (HC-1.11.5(b)) (Vol.4)

3.7.3.3 That the Board has assessed the licensee's internal controls, to confirm that these are based on established policies and procedures approved by the Board and provide reasonable assurance of the integrity and reliability of its financial records; (HC-1.11.5(c)) (Vol.4)

3.7.3.4 That the Board has assessed whether adherence to established internal limits and controls was continuously monitored; (HC-1.11.5(d)) (Vol.4)

3.7.3.5 That the Board has assessed that all new (or material changes to) significant policies, procedures and products introduced by the licensee since the last Board certification were appropriately reviewed and approved at the time; (HC-1.11.5(e)) (Vol.4)

3.7.3.6 That the Board has assessed that management and staff have complied with the licensee's corporate code of conduct; and (HC-1.11.5(f)) (Vol.4)

3.7.3.7 That in the period under review, the Board had received and reviewed the external auditor's management letter within six months of the (previous) financial year end, together with the licensee's audit committee and senior management comments on the letter and any proposed actions. (HC-1.11.5(g)) (Vol.4)

MODULE – 4

DIRECTORS' CODE OF CONDUCT

4.1 GENERAL POLICIES

- 4.1.1 The Board of Directors (the "Board") of the Company has adopted the following Code of Business Conduct and Ethics (the "Code") for directors of the Company.
- 4.1.2 Directors need to be fully aware, not only of their legal responsibilities, but also of the wider role and obligations that they owe to shareholders in particular, and to other stakeholders in general.
- 4.1.3 This Code is intended to serve as a source of guiding principles for directors. Although every effort has been made to ensure that, various situations are covered as much as practically possible; it may not cover all possible situations. Hence, constant updating is necessary

4.2 OBJECTIVES

- 4.2.1 The Codes outlined here are intended to serve as a source of guiding principles for directors and to identify the moral and professional responsibilities, which they owe to their position.
- 4.2.2 The principles outlined in this document are intended to:
 - 4.2.2.1 Identify the responsibilities of Directors.
 - 4.2.2.2 Establish a framework for the code of conduct of directors.
 - 4.2.2.3 Codify a standard of conduct, by which all Directors are expected to abide.
 - 4.2.2.4 To provide guidance to directors to help them recognize and deal with ethical issues.
 - 4.2.2.5 To help foster a culture of honesty and accountability.
 - 4.2.2.6 To provide mechanisms to report unethical conduct.
 - 4.2.2.7 To govern the relationship with the stakeholders so as to ensure that the company's obligations towards them are fulfilled, their rights are preserved, the necessary information is provided.

4.3 RESPONSIBILITY

- 4.3.1 This Code of Ethics for Directors applies to all members of the Board of Directors serving from time to time.
- 4.3.2 The principles in the Code are the individual and collective responsibility of all Directors.
- 4.3.3 Each director must comply with the letter and spirit of this Code.

- 4.3.4 Directors who also serve as officers of the Company should read this Code in conjunction with the Company's Policies governing the business conduct of Company employees.
- 4.3.5 The duties and responsibilities of the directors set out in this Module are over and above the responsibilities, which the Directors generally have as a member of the Board.
- 4.3.6 Directors must act, and be seen by the company's employees, customers, regulators, communities and shareholders ("Stakeholders") to be acting, in accordance with these principles.
- 4.3.7 The directors and executive management members shall not use their official power to achieve their own self-interests or interests of others.
- 4.3.8 The company's assets and resources shall not be used to achieve personal interests. Instead, they shall be used optimally to achieve the company's objectives.
- 4.3.9 The director shall disclose to the Board any direct or indirect common interests with the company.
- 4.3.10 The director shall be prohibited from participating in the discussion, expressing opinion or voting on any subjects presented to the Board, in which he has a direct or indirect common interest with the company.

4.4 PRINCIPLES

- 4.4.1 The principles to be followed by the directors in the discharge of their duties are as follows:
 - 4.4.1.1 Honesty and Integrity.
 - 4.4.1.2 Independence.
 - 4.4.1.3 Avoid conflicts of interest.
 - 4.4.1.4 Exercise due skill and diligence
 - 4.4.1.5 Establish a clear and efficient management structure (HC-6.1.1) (Vol.6)
 - 4.4.1.6 Confidentiality and Privacy
 - 4.4.1.7 Protecting the company Assets
 - 4.4.1.8 Prudent use of powers
 - 4.4.1.9 Avoid misuse of corporate business opportunities
 - 4.4.1.10 Qualification
 - 4.4.1.11 Compliance of rules & regulations
 - 4.4.1.12 Protect interests of Employees
 - 4.4.1.13 Disclosure
- 4.4.2 The requirements of each of the above principles are briefly outlined in the subsequent sections.

4.5 CODE OF CONDUCT

4.5.1 HONESTY AND INTEGRITY

- 4.5.1.1 Directors must act honestly and fairly and exhibit high ethical standards in their dealings with all Stakeholders.
- 4.5.1.2 Every director has a duty to act in good faith in the interests of the company.
- 4.5.1.3 Directors shall not make any commitment on behalf of the Company, which they are not authorized to make.
- 4.5.1.4 Directors shall not discriminate against any person based on gender, religious beliefs, race, marital status or disability.
- 4.5.1.5 Directors shall not act in a manner, which is likely to harm the reputation of the Company.

4.5.2 COMPLIANCE OF LAWS & REGULATIONS

- 4.5.2.1 It is the director's responsibility to be familiar with such obligations and limitations as are prescribed in the law, CBB Rulebook and the company's memorandum and articles of association.
- 4.5.2.2 The directors shall always abide by applicable legal and regulatory requirements.
- 4.5.2.3 Directors shall also satisfy themselves that appropriate policies and procedures are in place for compliance by employees, officers and other directors, with laws, rules and regulations applicable to the Company, including key persons trading regulation.
- 4.5.2.4 Directors shall satisfy themselves that appropriate corporate policies and code of conduct are in place for fair dealing by employees and officers with the Company's customers, suppliers, competitors and employees

4.5.3 INDEPENDENCE

- 4.5.3.1 The directors shall act independently without any impartial attitude and shall be free of any interest, which might be regarded.

4.5.4 CONFLICTS OF INTEREST

- 4.5.4.1 To have a clear segregation between the company's interests and directors' interests, through establishment of mechanisms to put the company's over the directors' interests.
- 4.5.4.2 Directors must ensure that they identify and avoid any situation of actual or apparent conflict of personal interest with the interest of the company, whether the situation involves the Director directly or a member of his or her immediate family.

4.5.4.3 All commercial dealings by Directors with the Company in a personal capacity must be at arm's length and on normal commercial terms or otherwise approved by Board of the Company.

4.5.4.4 Illustrative lists of acts that may lead to conflict of interest are:

- Accepting gifts, benefits and entertainment.
- Personal borrowing and lending from / to the company and its Directors.
- Community activity.
- Participation in similar business activities outside of the Company.
- Purchasing and selling assets and services from the Company.
- Personal use of Company assets.
- Receiving compensation from non-Company sources for his services as Director.

4.5.5 SKILL & DILIGENCE

4.5.5.1 It is the responsibility of directors to understand the business of the company, to be involved in its management through attendance at the Board meetings.

4.5.5.2 Directors shall perform their duties to the best of their ability.

4.5.5.3 Directors are expected to exercise skill and diligence to a level, which could reasonably be expected from a person of the director's individual knowledge and experience.

4.5.5.4 Directors have to assess their skills before accepting the directorship from the Company these requirements include.

- Expertise in the area in which he is going to work
- Directors should have basic education back ground to read and write the Arabic and English.
- Have the knowledge, skills, experience and characteristics to effectively participate.
- Understand of the required laws and regulations.

4.5.6 ESTABLISH A CLEAR AND EFFICIENT MANAGEMENT STRUCTURE

4.5.6.1 The Board shall appoint officers whose authority shall include management and operation current activities of the company, reporting to and under the direction of the Board. The officers shall include at a minimum: (HC-6.2.1) (Vol.6)

- A Chief Executive Officer;
- A Chief Financial Officer;
- A Corporate Secretary; and
- An Internal Auditor.

The Board shall also include other officers as the Board considers appropriate

4.5.7 CONFIDENTIALITY & PRIVACY

- 4.5.7.1 Directors should maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company that comes to them, from whatever source, in their capacity as a director, except when disclosure is authorized or legally mandated.
- 4.5.7.2 For purposes of this Code, "confidential information" includes all non-public information relating to the Company.
- 4.5.7.3 A Director's duty regarding confidentiality continues even after they no longer serve on the Board of the Company.
- 4.5.7.4 The duty of confidentiality extends to information not only about the Company but also about the Company's Customers, including persons who apply for products and services, employees, and suppliers, including proprietary information owned by suppliers.

4.5.8 PROTECTING COMPANY'S ASSETS

- 4.5.8.1 Any product, asset or information of the Company revealed to a Director and materials obtained by a Director in the course of their role at the Company constitute the property of the Company.
- 4.5.8.2 A Director is expected to return all Property to the Company at the conclusion of their term as Director or when otherwise requested to do so by the Company.
- 4.5.8.3 A Director shall exercise sufficient care to protect the company's assets under his custody.

4.5.9 PRUDENT USE OF POWERS

- 4.5.9.1 The powers conferred by the Articles of Association on the directors for the purposes of managing the affairs of the company may only be used for the purposes for which they were intended.

4.5.10 CORPORATE BUSINESS OPPORTUNITIES

- 4.5.10.1 Directors shall not take opportunities related to the Company's business for their personal advantage / benefits.
- 4.5.10.2 Directors shall not use the Company's property, information, or position for Personal gain.
- 4.5.10.3 Directors shall not compete with the Company for business opportunities.

4.5.11 QUALIFICATION

- 4.5.11.1 The directors shall fulfill the requirements for qualification as Directors as prescribed by law/CBB Rulebook and the company's Memorandum and Articles of Association.

4.5.12 INTEREST OF EMPLOYEES

- 4.5.12.1 Directors, while acting in the interests of the company have a duty to have regard to the interests of the company's employees as well as the members/shareholders of the company.

4.5.13 DISCLOSURE

- 4.5.13.1 Directors are also under a duty to notify the company in writing of their interests in company shares or bonds, and dealings in the company shares or bonds. This also includes interests of spouses and minor children in the same shares and bonds. Failure to notify the company is an offence.
- 4.5.13.2 Any information or other matter, which may influence their status, or the likely perception of their status, as an independent member of the Board.
- 4.5.13.3 Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company
- 4.5.13.4 Any suspected violations of this Code.
- 4.5.13.5 Any contract, which is proposed between the director and the company, must, pursuant to statute, be preceded by a disclosure of the director's interests to the Board of Directors.

MODULE –5

CORPORATE CODE OF CONDUCT

5.1 PURPOSE

5.1.1 The purpose of this module is to identify the responsibility of all associated with the Company to ensure sound code of business conduct in order to achieve good corporate governance.

5.1.2 While the responsibilities are identified in this module, the applicable procedures have not been detailed. It shall present the responsibility of the individuals concerned to apply appropriate procedures to ensure that they follow these codes of conduct.

5.2 SAFEGUARDING PROPERTY

5.2.1 The company's property shall be adequately safeguarded.

5.2.2 The company's funds shall be efficiently used by following procedures to prevent their loss, theft or unauthorized use.

5.2.3 Expenditures and the use of corporate assets shall be for legitimate business purposes and in accordance with corporate policies;

5.2.4 The facilities provided by the company shall not be misused for the personal benefits of the employees.

5.3 LEVELS OF AUTHORITY

5.3.1 The Company empowers its employees to enter into commitments and incur expenditure on behalf of the company based on their organizational level as specified in the Levels of Authority Manual.

5.3.2 Employees are expected to adhere to the policies in respect of levels of authority and the approval limits specified therein.

5.4 EMPLOYEE RECORDS

5.4.1 Highest degree of confidentiality shall be maintained in respect of personal information of the Company's employees.

- 5.4.2 Access to this information shall be limited only to those who can demonstrate a legitimate business need for it.

5.5 EXPENSES

- 5.5.1 While employees may claim reasonable business expenses consistent with Company's expense policies, they are prohibited from making excessive, fictitious or unnecessary claims. Fictitious claims will be regarded as fraud. Should an individual be proven to have submitted a fictitious claim, they will be subject to disciplinary action, and may be reported to the appropriate authorities.
- 5.5.2 All expense reports should be submitted on a timely basis.

5.6 MAINTENANCE OF RECORDS

- 5.6.1 Due care and diligence shall be exercised in maintaining all documentary and electronic records, for both customers and employees.
- 5.6.2 Specific company policy and procedures on record-keeping such as obtaining all required information, verifying it as required, recording it accurately, and retaining it for the periods as required by law and regulations shall be followed without deviation.

5.7 CONFIDENTIALITY

- 5.7.1 Confidential information is essential to conduct of the Company's business and maintaining confidentiality is the responsibility of all employees. Information must be held inviolate by those to whom it is entrusted and must never be discussed outside the normal and necessary course of company business.
- 5.7.2 Employees are expected to maintain the confidentiality of information obtained in the course of its business.
- 5.7.3 Disclosure of such information to persons/entities outside the Company is permissible only when there is a legitimate business needs or where disclosure is sought by legal process. All other requests for information concerning a customer must be promptly referred to the management and no information may be released, nor should the customer involved be contacted, until so directed by the management.

- 5.7.4 A nondisclosure agreement should be executed with the third party receiving the information.
- 5.7.5 Employees will be liable to disciplinary action for knowing or carelessly passing or disclosing information relating to the Company or its clients. Employees are also bound by their contracts of employment to continue to observe this level of confidentiality regarding BNH Group matters after having left the Company.
- 5.7.6 For a period of one year after service of BNH Group, employees must not, directly or indirectly, either on his own account or for any person or organization, canvass or solicit client of BNH Group with whom he had contact at any time during his service with the BNH Group.
- 5.7.7 Employees should refer to the department manager / GM / CEO before discussing BNH Group affairs or its client with any outsider as this information should only be discussed on a need-to-know basis.

5.8 INFORMATION MANAGEMENT

- 5.8.1 Company information shall be managed effectively and securely.
- 5.8.2 Recording information that may be incorrect, misleading, confusing or inappropriate is not permitted.
- 5.8.3 E-mail correspondence shall be treated in the same manner as any other Company record and hence same care needs to be applied in preparing and recording them as in case of a formal memorandum.

5.9 INSIDER TRADING

- 5.9.1 Trading in company/parent Company's securities on the basis of insider information and abusive self-dealing are prohibited. The company's key persons' guidelines shall be followed in this respect.

5.10 ACCEPTING CONFIDENTIAL INFORMATION

- 5.10.1 Confidential information obtained directly from customers and others may be accepted with caution.

5.11 TREATMENT OF CUSTOMERS

In dealing with customers' employees shall:

- 5.11.1 Attend to customers first before carrying out other duties;
- 5.11.2 Provide customers with timely, responsive and reliable service;
- 5.11.3 Treat customers with courtesy, professionalism and respect;
- 5.11.4 Fully and honestly disclose rates, terms and conditions of products and services;
- 5.11.5 Keep customers informed; and

Employees should be well aware about the various business processes in order to clarify the various doubts of Customer promptly.

5.12 ANTI-COMPETITIVE PRACTICES

- 5.12.1 It is Company's policy not to participate in any behavior that will unduly lessen competition.
- 5.12.2 Any agreement between the Company and its competitors fixing the prices at which services are provided to customers or any other agreement eliminating or restricting competition with a competitor is prohibited.

5.13 TREATMENT AT WORKPLACE

- 5.13.1 Employees of the Company shall treat each other with dignity and respect. No one should make comments or do acts that cause embarrassment or defame to others.

5.14 VIOLENCE IN ORGANIZATION

- 5.14.1 No employees shall engage in violence in the workplace.
- 5.14.2 In an effort to prevent escalation of violence, employees are also expected to report incidents of violence to management.

5.15 ALCOHOL AND ILLEGAL DRUGS

- 5.15.1 The Company prohibits the use, possession, distribution or sale of illegal drugs and Alcohol on its premises, in its vehicles and while conducting Company's business.
- 5.15.2 No employee may conduct Company's business while under the influence of drugs or alcohol.

5.16 HARASSMENT AND DISCRIMINATION

5.16.1 Each employee is responsible for ensuring that Company's workplace is free of harassment.

5.16.2 For the purpose of removal of doubts an illustrative list of possible harassment that shall be avoided are specified below:

- Sexual harassment
- Racial or national origin harassment
- Harassment based on sex, race, color, religion, age, national origin, disability, sexual orientation or veteran status.
- Retaliation against anyone for making a good-faith complaint of such harassment or for cooperating in Company investigations of such complaints

5.17 FAIR AND PROFESSIONAL CONDUCT

5.17.1 Employees of the Company shall display highest standards of professional conduct in his or her daily interaction with our stakeholders and the public.

5.18 DEALING WITH CUSTOMERS

5.18.1 All shall ensure that they are independent, and are seen to be independent, from any business organization that has a contractual relationship with the company.

5.18.2 Employees must award contracts, make commitments to suppliers, make awards and judgements without favouritism / prejudice, all other things being equal. Company business of this nature must be considered strictly based on merit.

5.19 OUTSIDE EMPLOYMENT

5.19.1 As a general rule, the company expects its all employees to devote his or her attention and energy to the work that is done for the company and all employees are expected to avoid any outside activity, employment, position, association or investment that might interfere or appear to interfere with the independent exercise of an employee's judgment regarding the best interests of the company and its clients.

5.20 ACCEPTANCE OF GIFTS

5.20.1 Accepting gifts or other benefits may create a conflict of interest or the appearance of a conflict of interest.

- 5.20.2 Under no circumstances an employee shall accept or give, directly or indirectly, cash or other payments, loans, bribes, kickbacks, special privileges, favors or services from anyone for themselves or their families.
- 5.20.3 Employees shall not accept personal fees or commissions relating to any transaction on behalf of the company.
- 5.20.4 However, unsolicited and inexpensive gifts, which do not influence your business decision, may be accepted but caution should be exercised before accepting them.

5.21 PERSONAL BORROWINGS AND LENDING

- 5.21.1 Employees must exercise caution in borrowing from or lending personal funds to customers, another employee, particularly an employee they supervise, and avoid borrowing or lending, which could give rise to a conflict of interest.
- 5.21.2 Employees or members of their families may not borrow money from Reinsurers / Suppliers, customers or other staff members and may not expect favoured treatment.

5.22 COMMUNAL ACTIVITIES

- 5.22.1 Employees shall not use the organization resources for communal or political activities in which they are involved and are not expected to participate where it will raise the conflict of interest with respect to his responsibility in the organization.

5.23 RECOMMENDING PROFESSIONAL SERVICES

- 5.23.1 While doing their duties employees may provide the names of several external service providers (loss adjusters, brokers, Lawyers, accountants Auditors etc) to the customer, they should not generally give a recommendation for a specific service provider.

5.24 TRANSACTION WITH THE COMPANY

- 5.24.1 Employee must avoid transactions with the company in involving such transactions unless it is arm's length price or if it is specifically permitted under the company's personnel policies.

5.25 PROCESSING INTERESTED TRANSACTION

5.25.1 Employees are not permitted to manage, process or approve transactions (even in routine matters) for their own account, accounts of close family members, or accounts of anyone else with whom they share a significant financial or personal interest, or ask an employee in a subordinate position to do so.

5.26 COMPLIANCE WITH THE LAWS AND REGULATION

5.26.1 Each employee is responsible for knowing and understanding the laws, rules and regulations applicable to the performance of his or her duties at the company and complying with both the letter and spirit of these laws, rules and regulations.

5.27 SPECIFIC REQUIREMENTS OF THE BAHRAIN CODE OF CORPORATE GOVERNANCE

5.27.1 The Board must establish standards for the following: (HC-2.2.5) (Vol.4)

- Honesty
- Integrity
- The avoidance or disclosure of conflicts of interest
- Maintaining confidentiality
- Professionalism
- Commitment to the law and best practices
- Reliability
- Leadership

5.27.2 HONESTY AND INTEGRITY

5.27.2.1 All members of staff must act with honesty and integrity in all their actions on behalf of the Company. This applies to interaction with other employees, customers and other members of the public.

5.27.2.2 The principle of integrity requires a commitment to rise above bias to any political, social or secretarian trend, and not to employ BNH's works and legal powers for the benefit of any party at the expense of any other party.

5.27.2.3 This is also applied to record keeping. Falsification of records by members of staff of any medium will be considered as gross misconduct.

5.27.2.4 This value means that all employees of BNH must be above all suspicion, and that their professional conducts would be blameless and would not be tarnished by any flaws or faults. The integrity of the employees can be measured based on the intent of the act and to what extent it relates to or stays at distance from the tendencies and personal interests.

5.27.3 LEADERSHIP

5.27.3.1 It is the responsibility of the Board to establish an effective management structure within the Company. The Board provides leadership in setting the strategic direction of the Company. Management are delegated with authority for obtaining the Company's strategic objectives.

5.27.3.2 Management and staff are responsible for being pro-active and taking the initiative in all areas of work, subject to delegated authority limits. Management and staff should be self-starters who take the lead in serving the needs of the Company and its customers.

5.27.3.3 Leadership demands courage, vision and integrity and means leading with clients, stakeholders, leading with people and thought leadership.

5.27.3.3 Managers should demonstrate the following:

- Act lawfully and within the guidelines set out by the company
- Set a good example in conduct with all parties
- Demonstrate consistency in decisions based on our core values and code of conduct. Ensure circumstances do not change behavior and you remain consistent because now all you must do is execute
- Be clear and specific in all communications
- Demonstrate a clear style of leadership
- Inspire employees to a higher level of performance
- Promote effective teamwork requires relationships, respect and sharing
- Lead by example by showing through your actions what it means to act with integrity and to act in accordance with the principles of the Code

- Uphold exemplary standards, you should enforce BNH's standards consistently and fairly, and promote compliance with the Code among those you lead
- Be accountable – You should be prepared to be held personally accountable for any shortcomings in your own behavior as well as those of the people you lead.

5.27.4 RELIABILITY

5.27.4.1 BNH must be reliable by actively demonstrating dependability and importance of work to customer and colleagues, this includes:

- Being truthful
- Proactively communicating
- Respecting time, and being punctual
- Recognizing the relative importance of certain tasks and responsibilities and having the ability to prioritize to ensure that deadlines are met
- Actively demonstrating commitment by maintaining a consistent and predictable work schedule
- Responding to work assignments and requests by being cooperative and available.

5.27.4.2 The nature of work performed by employees of BNH requires a significant amount of interaction between departments, cooperation and teamwork. In order for this to function effectively, all members of management and staff must endeavor to complete assigned tasks to the highest possible standards of quality and in a timely fashion. Members of one team must be able to rely upon the work of other team members, and upon the work of other staff across the organization with whom they interact.

5.27.4.3 Reliability is also important from a customer perspective. The company must project itself to customers as exceeding expectations in terms of service delivery. All employees must therefore seek to satisfy reasonable customer requests in a manner which demonstrates the quality of service of the Company.

5.27.5 PROFESSIONALISM

- 5.27.5.1 All members of management and staff are expected to act professionally in disposing of their duties on behalf of BNH. Being professional influence the morals in the employee and motivate him to distance himself from the suspicions that could cause damage to the job's dignity and prestige.
- 5.27.5.2 Professionalism implies that members of staff at all times undertake tasks with the intention of completing them to the highest possible standards of professionalism and neturality. It also implies that tasks are completed in a timely manner, with complete and accurate records being maintained where required. Acting professionally also requires managers and members of staff to be conscious of the commercial goals of the Company.
- 5.27.5.3 Members of staff who are affiliated to professional bodies are also expected to comply with the professional and ethical standards of such bodies.
- 5.27.5.4 It is the nature of the consolidation of these behaviorial and ethical rules to achieve the vision and mission of BNH and establish the concept of rational management and enhance job performance and behavior of the employees and reward the diligent and hardworking employee and calling the defaulting one to account and improve the image of BNH staff.

5.28 Recruitment System

- 5.28.1 A system of recruitment practices has been established as part of the HC manual, especially the employment of relatives.

5.29 Conflict of Interest

- 5.29.1 Employees are not to act on behalf of the company in any transaction involving "close relatives" or person or persons with whom they have any significant connection or financial interest.
- 5.29.2 Employees cannot undertake any other employment or private business which is to detriment of their job with the company.
- 5.29.3 Employees may not become Directors or Officials of a business organized for profit without first obtaining the wrriten approval of the CEO.

5.30 Candour among employees in dealing with auditors and counselor's

5.30.1 Management must be informed always on matters which might be considered sensitive in preserving the Company's reputation. Concealment may be considered as a signal that the Company's policies and procedures can be ignored, and such conduct cannot be tolerated.

5.30.2 There must be full communication with the Management even when it appears that less candour is desirable to protect the Company.

5.30.3 Likewise, there will be no purposeful concealment of information from the Company's external auditors or the Company's lawyers whose specific enquiries should be answered to the best of the employee's knowledge. Any issue involving policy interpretation, etc., must be referred to the Management.

5.31 Proper accounting

5.31.1 Compliance with accepted accounting norms and controls is expected always. The books of accounts must accurately reflect the transactions they are purported to record in accordance with the Group's internal guidelines and external regulations including the International Accounting Practices and Methods.

5.32 Violation of the Code of Conduct

5.32.1 Violation of the Code of Conduct is sufficient ground for strict disciplinary action, up to and including termination of employment.

5.32.2 Discovery of events of questionable, fraudulent or illegal nature or which are in violation of the Code of Conduct should be reported to the CEO for necessary action.

5.32.3 A hearing notice will be issued to the employee for him to submit his written explanation upon discovery of violation of the Code of Conduct.

MODULE - 6

EQUITABLE TREATMENT OF SHAREHOLDERS

6.1 PURPOSE

The Company has devised policies on equitable treatment of shareholders in recognition of the importance of protecting their rights and interests as per Company's corporate governance framework.

6.2 POLICIES

- 6.2.1 All the shareholders of the Company including minority and foreign shareholders shall be given equitable treatment.
- 6.2.2 Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.
- 6.2.3 All shareholders should have the opportunity to obtain effective redress for violation of their rights.
- 6.2.4 All shareholders of the same class should be treated equally.
- 6.2.5 Within any class, all shareholders should have the same voting rights.
- 6.2.6 All investors should be able to obtain information about the voting rights attached to all classes of shares before they purchase.
- 6.2.7 Any changes in voting rights should be subject to shareholder vote.
- 6.2.8 Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.
- 6.2.9 Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders.
- 6.2.10 Company procedures should not make it unduly difficult or expensive to cast votes.

6.3 CONDUCT OF SHAREHOLDERS' MEETINGS

- 6.3.1 The Board will observe both the letter and intent of Company law requirements for shareholder meetings.
- 6.3.2 Invitations of shareholders ordinary and extraordinary general assembly meeting must be honest, accurate and not misleading. They should clearly state and explain the nature and business of the meeting; Corporate Gov. Code (CGC)
- 6.3.3 OGM meeting should be held within three months from the end of the financial year. (CCL-Article 198.a)
- 6.3.4 Meetings should be held during normal business hours and at a place convenient for the greatest number of shareholders to attend; Corporate Gov. Code (CGC)

- 6.3.5 Invitations to OGM/EGM must be published in two Arabic newspaper before 21 days of the meeting and the agenda must be included. (CCL-article 199.a)
- 6.3.6 Notices of meetings should encourage shareholders to participate by proxy and should refer to procedures for appointing a proxy and for directing a proxy how to vote on a particular resolution. The proxy agreement shall list the agenda items and shall specify the vote (e.g. Yes / no / abstain) Corporate Gov. Code (CGC)
- 6.3.7 Notices should ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including, but not limited to, any recommendations or dissents of directors; Corporate Gov. Code (CGC)
- 6.3.8 The Board should propose a separate resolution at any meeting on each substantially separate issue so that unrelated issues are not bundled together; Corporate Gov. Code (CGC)
- 6.3.9 In meetings where Directors are to be elected or removed, the Board should ensure that each person is voted on separately to that shareholders can evaluate each person individually Corporate Gov. Code (CGC)
- 6.3.10 The Chairman of the meeting should encourage questions from shareholders, including questions regarding the Company's corporate governance guidelines Corporate Gov. Code (CGC)
- 6.3.11 Minutes of meetings must be made available to shareholders on request as soon as possible, but not later than 30 days after the meeting. The company shall provide the competent authority with a copy thereof within 15 days from the date of meeting. (CG Code-Principle 7-Second h)
- 6.3.12 Disclosure of all material facts must be made by the Chairman to shareholders prior to any vote by the shareholders Corporate Gov. Code (CGC)
- 6.3.13 All directors should attend shareholder meetings and be available to answer questions from shareholders. In particular, the chairs of the Audit and NRCG committees should be available to answer questions in relation to their committees' responsibility. Corporate Gov. Code (CGC)
- 6.3.14 The external auditor should attend the annual shareholders' meeting. The external auditor should be available to answer questions with regards to the conduct of the audit and its conclusions. Corporate Gov. Code (CGC)
- 6.3.15 The Company shall maintain a website. A specific section of the website should be dedicated to describing shareholders' rights to participate and vote at each shareholders' meeting. Significant documents relating to meetings, including notices and minutes should be posted. For confidential information, the Company should grant controlled access to shareholders. Corporate Gov. Code (CGC)
- 6.3.16 In notices of meetings where directors are to be elected or removed, the Company will ensure that:
- 6.3.17 Where the number of candidates exceeds the number of available seats, the notice of the meeting should explain the voting method by which the successful candidates will be selected and the method to be used for counting votes; (HC-7.4.5(a)) (Vol.6)
- 6.3.18 The Notice of the meeting should fairly represent the views of the candidates. (HC-7.4.5(b)) (Vol.6)

6.3.19 Terms of reference of the Ordinary General Meeting (OGM):

The OGM shall consider the following:

- a- Election and dismissal of the Board of directors.
- b- Determination of the Board members remunerations.
- c- Consideration and approval of the Board's report on the company's activities and financial position during the ended financial year.
- d- Discharging or refusing to discharge the members of the Board from any liability.
- e- Appointment of the external auditor, the appointment shall be for a term of one financial year, to be renewed for similar periods not exceeding 5 consecutive financial years. The external auditor may not be appointed thereafter except after the lapse of two consecutive financial years. (CG Code-principle 10-first e)
- f- Consideration of the auditor's report on financial statements of the company for the ended financial year.
- g- Approval of the profit and loss account and the balance sheet and the statement allocating the net profits and determining dividends.
- h- Consideration of recommendations relating to bond issue, borrowing, mortgaging and issuing guarantees and deciding thereon.

6.3.20 Terms of reference of the Extraordinary General Meeting (EGM):

- a- Amending the company's memorandum or articles of association and extending the company's term.
- b- Increasing or reducing the company's capital.
- c- Selling the entire project carried out by the company or disposing of it in any other matter.
- d- Winding up the company or merging it with another company.

6.4 DIRECT SHAREHOLDER COMMUNICATION

- 6.4.1 The Chairman of the Board (and other Directors as appropriate) shall maintain continuing personal contact with major shareholders to solicit their views and understand their concerns. Corporate Gov. Code (CGC)
- 6.4.2 The Chairman should ensure that the views of shareholders are communicated to the Board as a whole. Corporate Gov. Code (CGC)
- 6.4.3 The Chairman should discuss governance and strategy with major shareholders. The Board should encourage investors, particularly institutional investors to help in evaluating the company's corporate governance. Corporate Gov. Code (CGC)

6.5 CONTROLLING SHAREHOLDERS

- 6.5.1 Should the Company have a controlling shareholder, the Chairman and other Directors shall actively encourage the controlling shareholder to make a considered use of their position and to fully respect the rights of minority shareholders. Corporate Gov. Code (CGC)

MODULE – 7

RISK MANAGEMENT

7.1 GENERAL

- 7.1.1 Risk management is an important element of corporate functioning and governance.
- 7.1.2 There should be a clearly established process of identifying, analyzing and treating risks, which could prevent the company from effectively achieving its objectives.

7.2 PURPOSE & NEED

- 7.2.1 Appropriate control procedures in the form of risk management guidelines must be put in place to achieve the following:
- 7.2.2 To ensure that significant Risks within the Company are identified and appropriate strategies are in place to manage these.
- 7.2.3 To ensure Risk Management is incorporated into the corporate governance systems and management structure of the Company.

7.3 POLICIES

- 7.3.1 The Board of Directors has the ultimate responsibility for identifying major risks to the organization, setting acceptable levels of risk and ensuring that senior management takes steps to detect, monitor and control these risks.
- 7.3.2 The Board/Audit, compliance and risk committee (ACRC) and Risk Management Committee (RMC) shall approve the overall process, roles and responsibilities for Risk Management.
- 7.3.3 The Board must satisfy itself that appropriate Risk Management procedures with clearly identified types of risk, overall risk management strategies and performance indicators are in place to identify and manage risks.
- 7.3.4 The procedures should cover activities as diverse as review of operating performance, effective use of information technology, contracting out and outsourcing. For this purpose, the company should subject itself to periodic external and internal risk reviews.

7.4 PROCEDURES

- 7.4.1 The risk management Unit/Committee shall submit a risk management committee report to the Audit, Compliance and Risk Committee on a periodical basis.

7.5 RISK CATEGORIES

- 7.5.1 The Company must take steps to identify, assess, manage and report the following risks at a minimum: (RM Module)
 - 7.5.1.1 Credit Risk;

- 7.5.1.2 Liquidity Risk;
- 7.5.1.3 Market Risk;
- 7.5.1.4 Technical Risk;
- 7.5.1.5 Operational Risk;
- 7.5.1.6 Outsourcing Risk;
- 7.5.1.7 Group Risks; and
- 7.5.1.8 Compliance Risk

It is the responsibility of the Company to identify any further categories of risk which may be relevant to its business.

MODULE – 8

DISCLOSURE

8.1 OBLIGATIONS OF BNH

- 8.1.1 The management team and Board of Directors of BNH 's shall be committed to
 - 8.1.1.1 Fair disclosure of fair, comprehensive and transparent material information about its activities to shareholders, the investment community and other stakeholders in a timely manner in accordance with all legal and regulatory requirements. (Committee Duties and Responsibilities) (Vol.6)
 - 8.1.1.2 Compliance with disclosure obligations as envisaged in the CBB Disclosure standards.
 - 8.1.1.3 Ensuring that market participants have an equal opportunity to review and assess information disclosed by the Company.
- 8.1.2 The Company shall release to the public all financial reports / information only upon the receipt of formal confirmation from CBB for its release. The Company Secretary will confirm that receipt.
- 8.1.3 The only Officials authorized by the relevant Board, the Chief Executive Officer, the General Manager or a Managing Director from time to time shall speak to the media or externally in relation to the company matters subject to this policy.
- 8.1.4 With a view to enhance shareholder participation in corporate affairs, the company follows the policy of keeping its shareholders informed by putting up relevant information on its corporate website, by issuing notices of meetings and informing CBB of new developments.

8.2 OBLIGATIONS OF DIRECTORS AND MANAGEMENT

- 8.2.1 Members of the board and members of senior management should be required to disclose to the Board:
 - 8.2.1.1 Their interests in company/parent shares or debentures, and dealings in the company shares or debentures. This also includes interests of spouses and minor children in the same shares and debentures. Failure to notify the company is a criminal offence.
 - 8.2.1.2 Any information or other matter, which may influence their status, or the likely perception of their status, as an independent member of the Board.
 - 8.2.1.3 Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company.
 - 8.2.1.4 Any suspected violations of this Code.
 - 8.2.1.5 Any significant contract, which is proposed between the director and the company, must, pursuant to statute, be preceded by a disclosure of the director's interests to the board of directors.

8.3 OBLIGATIONS OF COMPANY EMPLOYEES

- 8.3.1 Employees shall talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation.
- 8.3.2 Encourages employees to report violations of laws, rules, and regulations, the Company's Standards of Corporate Conduct, to appropriate personnel.

8.4 KEY PERSONS REGULATIONS

- 8.4.1 The directors, members of senior management and other employees shall be aware of the requirements of the company's policies regulating trading in company/parent company securities based on insider information.

8.5 DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

- 8.5.1 Related Party Disclosures, provides guidance on the disclosure of transactions with related parties. Examples of related parties' transactions include transactions between:
- A parent company and its subsidiaries;
 - A controller of the company and the company; (AU-1.1.18B(a)) (Vol.4)
 - A close link of the company and the company; (AU-1.1.18B(b)) (Vol.4)
 - An associate of a controller of the company and the company; (AU-1.1.18B(c)) (Vol.4)
 - The extended family of a controller, including father, mother, father-in-law, mother-in-law, brother, sister, brother-in law, sister-in-law, and grandparent, and the company; (AU-1.1.18B(d)) (Vol.4)
 - A corporate entity, whether or not licensed or incorporated in Bahrain, where any of the persons identified as associates or extended family members of the controller is considered a director, or would be considered a controller, were the definition of controller applied to that corporate entity; (AU-1.1.18B(e)) (Vol.4)
 - Subsidiaries of a common parent;
 - An enterprise and trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of the enterprise's management;
 - An enterprise and its principal owners, management, or members of their immediate families, and
 - Affiliates.
- 8.5.2 Related party transactions refer to transfers of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a price is charged. (BR-2.3.23) (Vol.4). (CGC-Principle – Second)
- 8.5.3 Transactions between related parties commonly occur in the normal course of business. Some examples of common types of transactions with related parties are: sales, purchases, and transfers of realty and personal property; services received or

furnished, for example, accounting, management, engineering, and legal services; use of property and equipment by lease or otherwise; borrowing and lending; guarantees; maintenance of bank balances as compensating balances for the benefit of another; inter-company billings based on allocations of common costs; and filings of consolidated tax returns.

8.5.4 Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. For example, an enterprise may receive services from a related party without charge and not record receipt of the services.

8.5.5 As per CPA Institute Guidelines, Related Party Transactions are defined as follows:

- Affiliates of the enterprise. An affiliate is a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an enterprise. Control for this purpose means, the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract, or otherwise.
- Entities for which investments are accounted for by the equity method by the enterprise.
- Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management.
- Principal owners of the enterprise. Principal owners are owners of record or known beneficial owners of more than 10 percent of the voting interests of the enterprise.
- Management of the enterprise. Management includes persons who are responsible for achieving the objectives of the enterprise and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of the board of directors, the chief executive officer, chief operating officer, vice presidents in charge of principal business functions (such as sales, administration, or finance), and other persons who perform similar policymaking functions. Persons without formal titles also may be members of management.
- Members of the immediate families of principal owners of the enterprise and its management. Immediate family includes family members whom a principal owner or a member of management might control or influence or by whom they might be controlled or influenced because of the family relationship.
- Other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.
- Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

8.5.6 Financial statements must include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items

in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures must include.

- a) The nature of the relationship(s) involved.
- b) A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements.
- c) The Bahraini Dinar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.
- d) Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

8.6 SPECIFIC DISCLOSURE REQUIREMENTS

- 8.6.1 The Company must produce an Annual Report, within 3 months of the end of the firm's financial year.
- 8.6.2 The Company must apply financial years that end on 31 December, unless prior written approval has been obtained from the CBB for a different year-end.
- 8.6.3 The Annual Report must be published in both Arabic and English.
- 8.6.4 The Company must submit a newspaper copy of the published financial statements to the CBB within three months from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.
- 8.6.5 In the annual report the company must, provide timely information that facilitates market participants' assessment of the company. There are five broad categories of information, each of which must be addressed in clear terms and with appropriate details to help achieve a satisfactory level of transparency. The five categories are:
 - (a) Financial position;
 - (b) Financial performance;
 - (c) Corporate governance;
 - (d) Compliance; and
 - (e) Risk management strategies and practices.
- 8.6.6 The Annual Report must contain a copy of the firm's annual, audited financial statements, the Bahrain Commercial Companies Law 2001 (as amended) and the Bahrain Bourse regulations (where applicable). The financial statements must contain the auditor's opinion which must be made in accordance with the International Standards on Auditing, established by the International Federation of Accountants. The Annual Report must also contain a solvency statement and the auditor's report.
- 8.6.7 The company must disclose in their published accounts all information which policyholders and shareholders would reasonably expect to enable them to form a view of the firm's ability to meet its obligations.

- 8.6.8 The following information relating to the financial performance and position of the company must, where relevant to an understanding of the firm's financial performance, be included in the Annual Report:
- (a) A discussion of the main factors that influenced the company's financial performance for the year, explaining any differences in performance between the current year and previous years and the reasons for such changes, and discussing factors that will have a significant influence on the company's future financial performance;
 - (b) Comparisons with the previous period's financial performance (unless this is the company's first reporting period), including comparisons between business segments;
 - (c) The performance of the technical account, including, but not necessarily limited to, comparisons with past performance of claims ratios, claims development and how the underwriting portfolio is made up;
 - (d) Performance of the technical account both net and gross of reinsurance;
 - (e) Investment performance;
 - (f) Claims trends and key claims, where relevant to an understanding of the financial performance;
 - (g) A discussion of the impact of acquisitions of new businesses; and
 - (h) The impact of any changes in the capital structure on earnings and dividends.
- 8.6.11 The Annual Report must contain details of any shares in the company held by its Directors and Chief Executive /General Manager. Such details must include:
- (a) The total number of shares held by such individuals as at the financial year-end (broken down by class of share where applicable); and
 - (b) Any acquisitions or disposals in such shares during the financial year in question, including the numbers of such shares and the price at which they were acquired or sold.
- 8.6.12 The following information relating to corporate governance must also be included in the firm's Annual Report:
- (a) Information about the Board and Board committees (if any). This must include details of Board membership (including a summary of each Board member's professional experience, qualifications, date of appointment and other Directorships held); details of the membership and mandates of any Board Committees; and the number of Board and any Board committee meetings held during the financial year in question;
 - (b) Information about the managerial structure. This must include a summary of the Chief Executive Officer's/General Manager's professional experience, qualifications and date of appointment; a summary of any management committees, their mandates and membership; and a summary of the senior management structure and reporting lines; and
 - (c) Information about the company's basic organizational structure. This must include a clear description of the lines of business and legal entity structures.

8.6.13 The Annual Report must include a declaration by the external auditor that no violations have taken place of:

- (a) The Bahrain Commercial Companies Law of 2001 (as amended);
- (b) The CBB Law; and
- (c) The CBB's Directives and Regulations insofar as the violations have any material impact on the financial statements of the company.

The company is required to disclose in their annual report the amount of any financial penalties paid to the CBB, together with a factual description of the reasons given by the CBB by the penalty.

8.6.14 The company shall make available the following information about each candidate for membership of the board of directors available on its website, or send such information to the shareholders personally by any approved means, starting from the date of the call for a general assembly meeting:

1. Curriculum vitae, including academic and professional qualifications.
2. Any act that he performs directly or indirectly, that amounts to competition with the company.
3. Names of companies and entities in which he works or is a member of their boards of directors.
4. Any position he occupies that requires more than a small part of his time.
5. Any other information specified in the Implementing Regulation. The company shall send the information to the shareholders of the company in any way it deems appropriate, and shall publish such information on all social media of the company, if any. The company shall include in its annual report, and post on its website, the information related to the chairperson and members of the Board of Directors.

8.6.15 The board of directors' report to the general assembly shall include a comprehensive account of all payments to the board members during the financial year, including salaries, profit shares, representation allowances, attendance allowances and expenses, etc. The report shall also include an account of the amounts paid to the members of the board in their capacities as employees and administrators, and what they have received for technical, administrative or consulting services or any other business.

The report must also include a statement to all the remunerations obtained by the executive management during the financial year, including any salaries, benefits and profit shares in accordance with the controls set by the relevant law and/or implementing ministerial order.

8.6.16 The following information relating to the company's risk management strategies and practices must be included in the Annual Report:

- (a) A summary of the significant internal and external risks facing the firm;
- (b) A summary of the company's risk management policies (including, but not limited to, underwriting, credit, investment, reserving, legal, operational and group risks); and
- (c) A summary of the company's risk monitoring organization and processes, including details on the company's risk management and internal audit functions; the use of reinsurance; and controls on underwriting, credit and investment risk.

8.7 QUARTERLY DISCLOSURE REQUIREMENTS

The Company must publish interim summary financial statements, in accordance with IAS 34 (International Accounting Standards). The company must also provide prior year comparative figures, as dictated by IAS 34, when disclosing quarterly results.

The statements be reviewed by the company's external auditor, in accordance with International Standards on Auditing (ISA) applicable to Review engagements.

The statements must be published in two local newspapers (one in Arabic, one in English), within two months of the statements' date.

MODULE – 9

BOARD OF DIRECTORS – CHARTER

9.1 PURPOSE

Pursuant to the Central Bank of Bahrain Rulebook (High-Level Controls Module – Volume 4 & Volume 6), Commercial Contracts Law and the Corporate Governance code of the Kingdom of Bahrain, with the objective of assisting the Board of Directors in fulfilling its corporate governance responsibilities, this Board charter will be adopted by the Board to outline the duties and responsibilities of the Board, in the aim of coordinating and communicating between the Executive Management and the board. The board must adopt a formal board charter or other statement specifying matters which are reserved to it, which must include but need not be limited to the specific requirements and responsibilities of Directors. (HC-1.2.8) (Vol.6)

9.2 COMPOSITION

9.2.1 BOARD APPOINTMENTS

- 9.2.1.1 The Board positions should be filled through the process of election in the AGM.
- 9.2.1.2 Appointment mechanism should meet all statutory and administrative requirements.
- 9.2.1.3 An understanding of skill requirements of the Board should be of high priority particularly at the time of making a choice for appointing a new director.
- 9.2.1.4 A signed written appointment letter should be in place between the Company and each Director. This should cover Directors' powers, and duties and all other matters relating to the appointment, including: term; envisaged time commitment; committee assignment; remuneration and expense reimbursement entitlement; and access to independent advice when needed. The letter should also stipulate any business conducted by the Director which competes directly with that of the Company. Corporate Gov. Code (CGC)

- 9.2.1.5 The Board should not have more than 15 members, and have a minimum of 5.(HC1.3.5) (Vol. 6)
- 9.2.1.6 At least half the Board's members, including the Board Chairman, must be non-executive Directors and at least three of those persons should be independent Directors. (HC 1.4.4) (Vol. 6)
- 9.2.1.7 The Board should regularly review its size and composition to ensure that it is small enough for efficient decision making, yet large enough to have members who can contribute from different specialties and viewpoints. Changes to its size and composition should be recommended to the shareholders when a needed change requires amendment of the Company's Memorandum of Association. (HC-1.3.5) (Vol.6)
- 9.2.1.8 The Board must periodically assess its composition and size and, where appropriate, reconstitute itself and its committees by selecting new Directors to replace long-standing members or those whose contributions is not adequate. (HC-1.3.5) (Vol.6)

9.3 REQUIREMENTS OF THE BOARD

9.3.1 BOARD SKILLS

- 9.3.1.1 The Board must possess the necessary blend of qualities, skills, knowledge and experience.
- 9.3.1.2 Each of the directors should make quality contribution.
- 9.3.1.3 A Board should have a mix of the following skills, knowledge and experience:
- a) Operational or technical expertise and leadership;
 - b) Financial skills;
 - c) Legal skills and
 - d) Knowledge of Government and regulatory requirement.

9.4 GOVERNANCE ROLES

9.4.1 COMMITTEES OF THE BOARD

To fulfill its responsibilities, the Board has in place an Executive & Investment Committee, Audit, Compliance and Risks Committee and Remuneration and Nomination Committee, each of which has its own charter and terms of reference.

The Board of Directors shall divide the duties amongst its members according to their professional background and experience without prejudice to the avoidance of conflict of interest obligation;

9.4.2 THE CHAIRMAN

The Chairman should be an independent director, so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making. Furthermore, The chairman should not be the same person as the Chief Executive Officer nor an executive director; (HC-1.4.5) (Vol.6)

The Chairman's main competenses include:

- 9.4.2.1 The chairman is responsible for the leadership of the Board and for the efficient functioning of the Board;
- 9.4.2.2 Must take an active lead in promoting mutual trust, open discussion, constructive
- 9.4.2.3 dissent and support for decisions after they have been made;
- 9.4.2.4 Represents the Company before the courts of law and other parties and has the authority to sign on the Company's behalf. This authority can be delegated to the Vice Chairman in his absence or whoever is authorized by the Board of Directors for this purpose
- Should be an independent director, so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making
- 9.4.2.5 ensure that the directors have access to the complete and accurate information in a timely manner
- 9.4.2.6 ensure that the Board discuss all information and items stated in the agendas for each meeting
- 9.4.2.7 encourage the director to effectively exercise their roles in the best interest of the company
- 9.4.2.8 ensure effective communication between the company's shareholders and Board of Directors

9.4.2.9 prepare agendas for the Board meetings and general assembly meetings
(Annual General meetings / Extraordinary General meetings)

9.4.2.10 hold meetings with non-executive and independent directors, without the attendance of the executives, to take their views on matters related to the company's activity;

9.4.3 THE BOARD OF DIRECTORS

All Directors must understand the Board's role and responsibilities under the Commercial Companies Law, the Corporate Governance Code and any other laws or regulations that may govern their responsibilities from time to time, over and above the binding Directors Appointment Agreement signed by all Directors (CG CODE Principle. 1.6);

9.4.4 BOARD SECRETARY

Must have administrative responsibilities including arranging, recording and following up on the actions, decisions and meetings of the Board to be kept for that purpose; and be given general responsibility for reviewing the Company's procedures and advising the Board directly on such matters.

His main competences include:

- a- Facilitating the implementation of the BoD's activities and decisions.
- b- Coordinating the BoD's meetings, records, books and documents.
- c- Recording minutes of meetings and sending them to the BoD.
- d- Managing the corporate governance requirements related to the BoD.
- e- Coordinating among the directors regarding attendance, documents circulation, and other matters.
- f- Ensuring access to the committees' minutes of meetings and including them within the Board's meeting papers.
- g- Coordinating all logistics related to shareholders' meetings (General Assembly Meeting / Extraordinary General Meeting) with the Chairman.
- h- Keeping records and documents relevant to the Board's activities, such as the Commercial Companies Law, articles of association, memorandum of association, commercial register and updated corporate governance rules.
- i- The duties assigned to the secretary by the Board

9.5 BOARD INDEPENDENCE

- 9.5.1 Independent Board is essential for sound corporate governance.
- 9.5.2 This goal may be achieved by associating sufficient number of independent Directors with the Board.
- 9.5.3 Independence of directors would ensure that there are no actual or perceived conflicts of interest.
- 9.5.4 It also ensures that the Board is effective in supervising and, where necessary, challenging the activities of management.
- 9.5.5 The Board needs to be capable of assessing the performance of managers with an objective perspective. Accordingly, sufficient number of Board members (as required by the corporate governance manual) should be independent of both the management team and any commercial dealings with the company.
- 9.5.6 A Board member should not hold more than five directorships in public companies in Bahrain with the provision that no conflict of interest may exist (which includes having an interest in companies in the same line of business). (HC-1.3.6) (Vol.6) (CG code Principle 1 clause 8)

9.6 BOARD MEETINGS

- 9.6.1 Directors must devote sufficient time and give due attention to meet their obligations. Attending Board meetings regularly and preparing thoroughly before entering the boardroom increases the quality of interaction at Board meetings.
- 9.6.2 Board meetings are the forums for Board decision-making.
- 9.6.3 These meetings enable directors to discharge their responsibilities.
- 9.6.4 The effectiveness of Board meetings is dependent on carefully planned agendas and providing Board papers and materials to directors sufficiently prior to Board meetings.
- 9.6.5 All directors must attend all meeting subject to the set threshold 75% of the meetings during the financial year, to enable the Board to discharge its responsibilities effectively. (HC- 1.3.7) (Vol.6)
- 9.6.6 In accordance with the Code of Corporate Governance, the Board will aim to meet at least once every quarter, in order to address its responsibilities for management oversight and performance monitoring. Members should step down if they are not

actively participating in Board meetings. Non-attendance at Board meetings does not absolve members of their duties as Directors. All Directors are expected to contribute actively to the work of the Board in order to discharge their responsibilities and should make every effort to attend Board meetings where major issues are to be discussed. (HC-1.3.9) (HC-1.3.8) (Vol.6) (CG CODE Principle 1.2)

- 9.6.7 The Chairman should ensure that all Directors receive an agenda, minutes of prior meetings, and adequate background information in writing before each Board meeting and when necessary between meetings.
- 9.6.8 Directors should also note that they should ensure that they receive adequate and timely information and should study it carefully. (HC-1.3.4) (Vol.6)
- 9.6.9 The Board and its committees must also maintain adequate records of its meetings, such that key decisions and how they are arrived at can be traced. Board minutes will be recorded for each meeting in a special register, signed by the members present at the meeting and secretary of the Board/Committee.

9.7 ATTENDANCE AT BOARD MEETINGS

- 9.7.1 Individual board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively.
- 9.7.2 Voting and attendance proxies for board meetings are prohibited at all times. (HC-1.3.7) (Vol.6)
- 9.7.3 The absence of Board members at Board and committee meetings must be noted in the meeting minutes. In addition, Board attendance percentage must be reported during any general assembly meeting when Board members stand for re-election. (HC-1.3.8) (Vol.6)
- 9.7.4 In the event that a Board member has not attended at least 75% of Board meetings in any given financial year, the company must immediately notify the CBB indicating which member has failed to satisfy this requirement, his level of attendance and any mitigating circumstances affecting his non-attendance. The CBB shall then consider the matter and determine whether disciplinary action, including disqualification of that Board member pursuant to Article 65 of the CBB Law, is appropriate. Unless

there are exceptional circumstances, it is likely that the CBB will take disciplinary action. (HC-1.3.10) (Vol.6)

9.8 RESPONSIBILITIES

9.8.1 The Board and the director's, individually and collectively have responsibilities to undertake the following, although the board may delegate certain functions to committees or management: (HC-1.2.2) (Vol.6)

- a) The overall business performance and strategy and business plan for the company; (HC-1.2.2(a)) (Vol.6)
- b) Causing financial statements to be prepared which accurately disclose the company's financial position; (HC-1.2.2(b)) (Vol.6)
- c) Monitoring management performance; (HC-1.2.2(c)) (Vol.6)
- d) Convening and preparing the agenda for shareholder meetings; (HC-1.2.2(d)) (Vol.6)
- e) Monitoring conflicts of interest and preventing abusive related party transactions; (HC-1.2.2(e)) (Vol.6)
- f) Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning; (HC-1.2.2(f)) (Vol.6)
- g) Aligning key executive and board remuneration with the longer term interests of the company and its shareholders; (HC-1.2.2(g)) (Vol.6)
- h) Ensuring a formal and trans-group board nomination and election process; (HC-1.2.2(h)) (Vol.6)
- i) Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards; (HC-1.2.2(i)) (Vol.6)
- j) Assuring equitable treatment of shareholders including minority shareholders; (HC-1.2.2(j)) (Vol.6)
- k) Ensuring compliance with the relevant rules and requirements relating to the issuing and offering of securities; (HC-1.2.2(k)) (Vol.6)
- l) The ongoing obligations in respect of the listing requirements, including but not limited to issues relating to disclosure, dissemination of price sensitive information and other communication, and the prevention of market abuse and insider trading; (HC-1.2.2(l)) (Vol.6)

- m) Compliance with the company's founding documentation, including but not limited to its Memorandum and Articles of Association and other relevant by-laws and resolutions; (HC-1.2.2(m)) (Vol.6)
- n) Ensure that any loans provided by the company are approved by the board in accordance with their authority for such items, including the respective limits and other relevant terms; and (HC-1.2.2(n)) (Vol.6)
- o) Providing approval in respect of the relevant fees, charges, subscriptions, commissions and other business and administrative sanctions, where relevant. (HC-1.2.2(o)) (Vol.6)
- p) Approving and reviewing at least annually the overall business performance and strategy for the company (HC-1.2.2(a)) (Vol.4)
- q) Reviewing regularly the implementation of the strategy and operational performance (HC-1.2.2(b)) (Vol.4)
- r) Causing financial statements to be prepared which accurately disclose the investment firm licensee's financial position (HC-1.2.2(c)) (Vol.4)
- s) Reviewing regularly the level of risk (HC-1.2.2(e)) (Vol.4)
- t) Approving and reviewing at least annually systems and controls framework (including policies and procedures) (HC-1.2.2(f)) (Vol.4)
- u) Monitoring conflicts of interest and preventing abusive related party transactions (HC-1.2.2(h)) (Vol.4)
- v) Assuring equitable treatment of shareholders including minority shareholders (HC-1.2.2(i)) (Vol.4)
- w) Setting out clearly and reviewing on a regular basis who has authority to enter the licensee into contractual obligations (HC-1.2.2(j)) (Vol.4)
- x) Overseeing the effective management and control of the Company.
- y) Review of management structure and responsibilities at least annually.
- z) Monitoring company's financial performance and the success of its products, services and strategies.
- aa) Establishing effective communications with the Company's stakeholder groups.
- bb) Assuring equitable treatment of shareholders, including minority shareholders.
- cc) The Board as a whole is responsible for selecting candidates for the Senior Management (CEO/GM). While the NRGK may make recommendations as to appointments, the Board must retain responsibility for selection.

- dd) Identification, selection and prescription of policies affecting the operation of the company.
- ee) Ensure compliance with the Bahrain Code of Corporate Governance, ethics standards, company's memorandum and articles of association and legislative/regulatory requirements. The Board is responsible for ensuring the accuracy and completeness of the Company's Corporate Governance guidelines.
- ff) Assessment of its own performance in discharge of its duties and responsibilities.
- gg) Establishing policies and systems for accountability and disclosure of all relevant material information to the company and the shareholders.
- hh) All Directors should understand the Board's roles and responsibilities under company law, in particular:
 - The Board's role as distinct from shareholders and officers
 - The Board's fiduciary duties of care and loyalty to the company and shareholders
- ii) Directors must establish and maintain effective systems and controls for compliance with applicable legislation and statutory requirements.

9.9 INVESTMENT AUTHORITIES

Reviews and approves viable business opportunities and takeovers of similar or additional lines of business;

9.10 POLICIES AND CREDIT APPROVAL

- 9.10.1 Reviews and approves the operational policies of the company following the review and recommendation of the Executive Committee;
- 9.10.2 Reviews, approves and discloses the Company's corporate governance guidelines policy following the review and recommendation of the ACRC Committee;
- 9.10.3 Oversees "Whistle Blowing procedures and Anti-money laundering practices and policies in line with the company's approved policies;
- 9.10.4 Reviews and recommends to the General Meeting on the recommendation of the Remuneration and Nomination and Corporate Governance Committee the grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits; While remuneration of non-executive directors must not include

these performance-related elements, remuneration of senior management may include such elements which are not based on salary;

9.10.5 Reviews and approves redundancy policies of the company upon recommendation of the Remuneration, Nomination and Governance Committee;

9.10.6 Approves the policy for the disclosure of Directors and Executive Management's remuneration;

9.10.7 Reviews and approves credit requests in accordance with the risk management policy;

9.10.8 Reviews and approves credit requests above the Remuneration, Nomination and Governance Committee's defined credit limits according to the Credit Limits Policy set by the Board of Directors from time to time;

9.10.9 Reviews and approves the Credit Limits Policy on the recommendation of the Executive Committee;

9.10.10 Authorizes the Executive Committee on an annual basis to review the performance of all loans approved by the Board and the Committee and recommend further action, if necessary;

9.11 SIGNING AUTHORITIES

Reviews and approves the Company's cheque signing authorities;

9.12 CAPITAL FUNDS

Ensures at all times that an adequate level of capital funds be maintained in accordance with the CBB's licensing requirements and internal covenants;

9.13 JOINT AND SEVERAL LIABILITY

The Chairman and the other members of the Board of Directors shall be liable to the Company, the shareholders and third parties for all acts of fraud, misuse of power, breach of the law or the CBB rules and regulations or breach of the Articles of Association or for their mismanagement of the company. The right to file a suit of liability shall not be waived even if the General Meeting has voted to absolve the Board of Directors of responsibility.

9.14 MAINTENANCE OF CHARTER

The Board shall annually review, approve and amend, if it sees necessary, its own Charter at the first scheduled meeting of the new calendar year.

MODULE – 10

AUDIT, COMPLIANCE AND RISKS COMMITTEE (ACRC) – CHARTER

10.1 PURPOSE

This Charter for the Audit, Compliance and Risk Committee (ACRC) sets out the membership, responsibilities, principles and operation of the ACRC and identifies the interaction with the Board of Directors, Risk Management Committee (RMC), General Management Committee (GMC) and the internal and external auditors.

The role of the ACRC is to assist the Board of Directors in ensuring and maintaining oversight of the Company's financial reporting system, internal control framework, risk management processes, internal audit function and legal and regulatory requirements.

10.2 REPORTING LINES

The ACRC shall report to the Board of Directors.

10.3 COMPOSITION

- 10.3.1 ACRC members, including the chairperson shall be recommended by the Nomination, Remuneration and Governance Committee (NRGC) and appointed by the Board.
- 10.3.2 ACRC will comprise minimum of three (3) members. Majority of the members, including the Chairman, shall be independent directors.
- 10.3.3 Appointments should be for up to three (3) years, extendable for up to three (3) years or longer as approved by the Board.
- 10.3.4 The term of service of the ACRC members shall be coterminous with their service to the Board.
- 10.3.5 Vacancies shall be filled for the remainder of the ongoing term from the existing Board members.

10.4 SECRETARY

- 10.4.1 The head of Internal Audit function will act as the Secretary to the ACRC ("Secretary").

10.5 MEETINGS & QUORUM

- 10.5.1 The ACRC shall meet at least quarterly, with one (1) meeting coinciding with the financial reporting and audit cycle, or as required to undertake its role effectively. The ACRC Chairman will call a meeting of the ACRC if so

requested by any member of the ACRC, the Chairman of the Board, the Secretary or external auditor.

- 10.5.2 The quorum for the ACRC meeting will be a majority of the members.
- 10.5.3 The ACRC Chairman will chair all regular sessions of the ACRC and set the agenda for meetings in consultation with ACRC members, senior management and its Secretary. Save in urgent cases, the Secretary of the ACRC shall provide the members with an agenda and necessary documentation as early as possible and in general, at least seven days before a meeting takes place.
- 10.5.4 In the absence of the ACRC Chairman at a meeting, the remaining members present shall elect one of their numbers to chair the meeting.
- 10.5.5 ACRC members must attend 75% of all meetings during the financial year to remain on the ACRC.
- 10.5.6 Attendance by teleconference is permitted.
- 10.5.7 Members of management and/or parties external to BNH Group (BNH) may be invited by the ACRC Chairman to attend any meeting of the ACRC or part thereof.
- 10.5.8 The ACRC shall meet at least once annually with the external and internal auditors independently and without management presence.

10.6 VOTING RIGHTS

- 11.6.1 A duly convened meeting of the ACRC 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 ACRC.
- 11.6.2 All decisions of the ACRC will be based on a simple majority of the members present at the meeting. In the event of a tie, the ACRC Chairman or in his absence, the Acting Chairman of the ACRC will have the casting vote.
- 11.6.3 Any attendee who is not a member of the ACRC may not vote on any matter coming before the ACRC for a vote.

10.7 RESOURCES AND AUTHORITY

- 10.7.1 The ACRC shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate and approve the fees of outside legal, accounting or other advisors as it deems necessary or appropriate, without seeking the approval of the Board or management. BNH shall provide appropriate funding for the compensation of any such persons.
- 10.7.2 The ACRC is authorized to seek any information it requires from any employee of BNH in order to perform its duties.
- 10.7.3 The ACRC may order inspections and specific audit examinations on any areas of BNH's operations.
- 10.7.4 The ACRC expects that all communication with management and staff of the organization as well as with any external assurance providers will be direct, open and complete.
- 10.7.5 ACRC members may be reimbursed for travel and committee related expenses, in line with BNH's travel policy.

10.8 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the ACRC will be, as follows:

10.8.1 General

- 10.8.1.1 Review reports on risk management and issues arising from the Compliance and Anti-Money Laundering (AML) functions;
- 10.8.1.2 Maintain effective working relationships and open avenue for communication between the Board of Directors, management, and the internal and external auditors;
- 10.8.1.3 If necessary, institute special investigations as required and hire special counsel or experts to assist;
- 10.8.1.4 Review the whistleblowing process and ensure that whistleblowers are heard and their rights are safeguarded;
- 10.8.1.5 All ACRC members are obliged to prepare for and participate in the ACRC meetings.
- 10.8.1.6 ACRC members should adhere to BNH's code of conduct and any values and ethics established by BNH. It is the responsibility of ACRC members to disclose any conflict of interest or appearance of a conflict of interest to the ACRC. If there is any question as to whether ACRC member(s) should recuse themselves from a vote, the ACRC should vote to determine whether the member should recuse himself or herself.

10.8.2 Internal Control and Risk Management

- 10.8.2.1 Annually review the organization's risk profile.
- 10.8.2.2 Ensure implementation and maintenance of an appropriate enterprise wide risk management process.
- 10.8.2.3 Review and provide advice on the risk management process established and maintained by management and the procedures in place to ensure that they are operating as intended.
- 10.8.2.4 Oversee procedures and internal controls consistent with BNH's corporate governance structure, including evaluating the work plans prepared by BNH's Compliance and AML functions;
- 10.8.2.5 Monitor the effectiveness and integrity of internal control systems, including information technology security and control;
- 10.8.2.6 Evaluate whether management is setting the appropriate "compliance and control culture" by communicating the importance of internal control and management of risk;
- 10.8.2.7 Ensure management is accountable for the security of computer systems and applications, the business continuity plan and the disaster recovery plan;
- 10.8.2.8 Ensure control recommendations by internal and external auditors have been implemented;
- 10.8.2.9 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;

- 10.8.2.10 Ensure that appropriate action is taken against known perpetrators of fraud;
- 10.8.2.11 Challenge management and internal and external auditors to ensure that BNH has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected;
- 10.8.2.12 Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the Board
- 10.8.2.13 Approve the risk management plan and budget for the year;

10.8.3 Financial Reporting

- 10.8.3.1 Ensure processes are established and maintained to address critical financial reporting risks and transparency of financial reporting.
- 10.8.3.2 Review the integrity of BNH's financial reporting, including accounting policies and principles.
- 10.8.3.3 Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively;
- 10.8.3.4 Ensure that all ACRC members are familiar with significant accounting and reporting issues, practices and management estimates including recent professional and regulatory pronouncements and understand their impact on the financial statements;
- 10.8.3.5 Review the interim financial statements with the management before submitting to the Board for approval and release;
- 10.8.3.6 Review any legal matters, which could significantly impact the financial statements;
- 10.8.3.7 Review with management the annual financial statements and determine whether they are complete, consistent with the information known to ACRC members and reflect appropriate accounting principles, paying particular attention to complex and/or unusual transactions as well as judgmental areas involving commitments and contingencies;
- 10.8.3.8 Meet with management and the external auditors to review the financial statements, the results of the audit, management letter and the annual report before submitting to the Board for approval and release;
- 10.8.3.9 Monitor the adequacy of management reporting processes;

10.8.4 Internal Audit

- 10.8.4.1 Review and approve the Internal Audit Charter;
- 10.8.4.2 Approve the appointment, replacement, reassignment or dismissal of the Head of Internal Audit;
- 10.8.4.3 Provide input to management related to evaluating the performance of the head of internal audit function.
- 10.8.4.4 Recommend to management or the governing body the appropriate compensation of the head of internal audit function.

- 10.8.4.5 Review and discuss the adequacy of internal audit personnel, procedures, internal controls and compliance procedures, and any risk management systems;
- 10.8.4.6 Approve the Internal Audit plan and budget for the year;
- 10.8.4.7 Review the activities and performance of the Internal Audit function, frameworks and policies and ensure there are no unjustified restrictions or limitations on the scope of work.
- 10.8.4.8 Review and discuss the adequacy of internal audit personnel and procedures and internal control and compliance procedures, risk management systems and any changes in those.
- 10.8.4.9 Meet separately with the head of Internal Audit to discuss any matters that the ACRC or auditors believe should be discussed privately, in the absence of management.
- 10.8.4.10 Ensure that significant findings and recommendations made by Internal Audit are received and discussed on a timely basis.
- 10.8.4.11 Evaluate potential findings arising from BNH's Internal Audit function or from other third parties' examinations and/or investigations, in particular the inspection reports from the Central Bank of Bahrain.
- 10.8.4.12 Ensure that management responds to recommendations of internal audit.
- 10.8.4.13 Review and discuss possible improprieties in financial information or other matters and ensure that arrangements are in place for independent investigation and follow up regarding such matters.
- 10.8.4.14 Inquire of the head of internal audit function whether any internal audit engagements or non-audit engagements have been completed but not reported to the ACRC; if so, inquire whether any matters of significance arose from such work.
- 10.8.4.15 Advise the Board about any recommendations for the continuous improvement of the internal audit function.

10.8.5 External Audit

- 10.8.5.1 Oversee the selection and compensation of the external auditor for appointment and approval at the Board and Annual General Meeting.
- 10.8.5.2 Assess independence, accountability and effectiveness of the external auditor.
- 10.8.5.3 Review the external auditor's proposed audit scope, plan and approach, engagement letter, letters of representation (giving particular consideration to matters that relate to non-standard issues) as well as ensure there are no unjustified restrictions or limitations on the scope of work.
- 10.8.5.4 Review and discuss with management and the external auditor each annual and each quarterly financial statement of the company, including judgments made in connection with the financial statements.
- 10.8.5.5 Evaluate the results of external auditors and examine the status of management's relationship with the external auditors.

- 10.8.5.6 Meet separately with the external auditors to discuss any matters that the ACRC or auditors believe should be discussed privately, in the absence of management.
- 10.8.5.7 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- 10.8.5.8 Ensure that management responds to recommendations by the external auditors.
- 10.8.5.9 Monitor the rotation arrangements for audit partners/firm, per the prevailing regulations.
- 10.8.5.10 Agree with the Board and monitor BNH's policy for the employment of former employees of the external auditor.
- 10.8.5.11 Develop and recommend to the Board, BNH's policy in relation to the provision of non-audit services by the external auditor and ensure that provision of such services does not impair the external auditors' independence and/or objectivity.
- 10.8.5.12 The ACRC will receive in writing from the CEO/GM and CFO certification that the interim and annual financial statements present a true and fair view, in all material respects, of the company's financial condition, and results of operations, in accordance with applicable accounting standards.
- 10.8.5.13 Ensure that the external auditor firm and its Partners are truly independent of the licensee and have no financial or other relationship with the licensee. Audit findings should be used as an independent check on the information received from management about the licensee's operations and performance and the effectiveness of internal controls.
- 10.8.5.14 The ACRC will assess the external auditor's independence at least annually. This shall include determining whether the conduct of any non-audit services compromised independence and obtaining from the external auditor a written report listing any relationships between the external auditor and BNH, or with any other person or entity that may compromise the auditor's independence.

10.8.6 Compliance

- 10.8.6.1 Evaluate the adequacy and effectiveness of BNH's procedures and systems for ensuring compliance with legal and regulatory requirements and internal policies, including, but not limited to those relating to capital adequacy, risk management, exposure limits, AML and combating the financing of terrorism and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- 10.8.6.2 Review compliance with all relevant laws, regulations, codes and business practices, and ensure management communicates with shareholders and relevant stakeholders (internal and external) openly and promptly and with substance of compliance prevailing over form.
- 10.8.6.3 Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.

- 10.8.6.4 Review, supervise and monitor the implementation of BNH's Code of Conduct including compliance thereof.
- 10.8.6.5 Evaluate whether management is putting sufficient emphasis by communicating the importance of the Code of Conduct and the guidelines for acceptable behavior to employees of BNH.
- 10.8.6.6 Obtain regular updates from management and legal counsel regarding compliance matters.
- 10.8.6.7 Oversee BNH's compliance with legal and regulatory requirements.
- 10.8.6.8 Approve the Compliance plan and budget for the year;

10.8.7 Whistleblower Program

- 10.8.7.1 Review and discuss arrangements under which company employees can confidentially raise concerns about possible improprieties in financial reporting, legal or other matters. Under the program, concerns may be communicated directly to any ACRC member or, alternatively, to an identified officer or employee who will report directly to the ACRC on this point.

10.9 GUIDING PRINCIPLES

The ACRC will be guided by the following broad principles:

- 10.9.1 Protection of BNH's reputation
- 10.9.2 Protection of clients
- 10.9.3 Integration of regulatory requirements into business processes
- 10.9.4 Facilitate growth by early assessment of compliance aspects of new initiatives
- 10.9.5 Anticipate regulatory changes
- 10.9.6 Maintain regular communication with regulatory bodies
- 10.9.7 Avoidance of duplication with the function of internal audit
- 10.9.8 Members of the ACRC and other persons who attend the ACRC meetings must maintain confidentiality of all documents they receive, on the contents of deliberations and on all confidential information of BNH and its customers, particularly operating and business information that are disclosed to them in the course of their work on the ACRC.

10.10 SKILLS REQUIREMENTS

- 10.10.1 The Board shall ensure that the risk and compliance issues faced by BNH are covered by the skills of the ACRC members, which should include the following:
 - 10.10.1.1 Independence from day to day activity;
 - 10.10.1.2 Knowledge of the markets, business and strategies of BNH;
 - 10.10.1.3 Financial management and accounting skills and knowledge. Majority of the ACRC members should have recent and relevant financial ability and experience, including:

- 10.10.1.4 Ability to read and understand corporate financial statements, including a company's balance sheet, income statement and cash flow statement and changes to shareholders' equity;
- 10.10.1.5 An understanding of the accounting principles which are applicable to the company's financial statements;
- 10.10.1.6 Experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in BNH's business;
- 10.10.1.7 An understanding of the internal controls and procedures for financial reporting; and
- 10.10.1.8 An understanding of the ACRC's functions and importance.

10.11 VISIBLE DELIVERABLES

The visible deliverables of the ACRC will include:

- 10.11.1 An annual Internal Audit Plan
- 10.11.2 A Compliance Policy / Code of Conduct
- 10.11.3 Appointment of external / internal auditors
- 10.11.4 Follow up on audit findings
- 10.11.5 Reviewed financial statements and annual report
- 10.11.6 Review Internal Audit Reports

10.12 PERFORMANCE EVALUATION

- 10.12.1 As ACRC responsibilities evolve along with regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills in the ACRC in response to emerging needs.
- 10.12.2 The ACRC shall submit in writing, and review with the Nomination, Remuneration & Governance Committee (NRGC), an annual performance evaluation of the ACRC. This evaluation will compare the performance of the ACRC with the requirements of this Charter and include any improvements.
- 10.12.3 The Board may require the ACRC Chairman or appointed nominee from the ACRC, to present and discuss the findings and recommendations of this report.

10.13 MINUTES OF MEETING

- 10.13.1 The Secretary to the ACRC will be responsible for preparing minutes of the ACRC meetings.
- 10.13.2 Meeting minutes will be provided in draft format within one week after the ACRC meeting.
- 10.13.3 The minutes of the ACRC meetings will be tabled and approved at the subsequent meeting and signed off by the Chairperson and members of the ACRC. Thereafter, it will be circulated to all members of the Board.

10.14 REPORTING

- 10.14.1 The ACRC, through its Chairperson, reports to the Board at the earliest scheduled Board meeting after each ACRC meeting. Reports will cover any matters that in the opinion of the ACRC should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.
- 10.14.2 The Chairperson of the ACRC shall submit an annual report to the Board (at the Board meeting at which the yearend financial statements are approved) summarizing the ACRC'S activities during the year.
- 10.14.3 BNH's annual report should contain a separate section that describes the role and activities of the ACRC.

10.15 ANNUAL GENERAL MEETING

- 10.15.1 The Chairperson of the ACRC shall attend the Annual General Meeting in order to respond to any shareholder inquiries on the ACRC's activities.

MODULE – 11

NRGC- CHARTER

11.1 PURPOSE

11.1.1 The Board of Directors should set up a Nomination, Remuneration & Governance Committee (NRGC). This Charter sets out the membership, responsibilities, principles and operation of the NRGC and identifies the interaction with the Board of Directors and Management.

11.2 ROLE OF NRGC

11.2.1 The purpose of the NRGC is to assist the Board of Directors in identifying and nominating individuals qualified to serve as Board and Sub-committee members of the Board. Also to recommend the remuneration and rewards policy for the Company and in particular, for the directors and senior management team, lead the performance review of Board and Sub-committees and to establish the Company's corporate governance framework.

11.2.2 The NRGC is to carry out its duties with due regard to local regulations (Bahrain Commercial Companies Law 2001, Bahrain Labor Law and Central Bank of Bahrain) and the Company's Memorandum and Articles of Association.

11.3 REPORTING LINES

The NRGC shall report to the Board of Directors.

11.4 COMPOSITION

11.4.1 NRGC members shall be nominated and appointed by the Board.

11.4.2 The NRGC will comprise minimum of three (3) members. The committee will include only independent Directors or, alternatively, only non-executive Directors of whom the majority is independent Directors and the chairman is an independent Director. Corporate Gov. Code (CGC)

11.4.3 The Chairman of the Board, who will be a non-executive director, shall be the Chairman of NRGC.

11.4.4 Appointments shall be for three (3) years, extendable up to three (3) years or longer as approved by the Board.

11.4.5 The term of service of the NRGC members shall be co-terminus with their service to the Board.

11.4.6 Vacancies shall be filled for the remainder of the current term from the existing Board members.

11.5 SECRETARY

11.5.1 The Secretary of the Committee is to be appointed by the Chairman of the Committee from time to time.

11.6 MEETINGS & QUORUM

11.6.1 The committee shall meet at least twice a year. Its meetings may be scheduled in conjunction with regularly scheduled meetings of the entire board. (HC-Appendix B)

11.6.2 A quorum will be two members. The NRGC Chairman will chair all regular sessions of the NRGC and set the agenda for meetings.

11.6.3 The Secretary of the NRGC shall provide the members with an agenda and necessary documentation as early as possible and in general, at least seven days before a meeting takes place.

11.6.4 In the absence of the NRGC Chairman at a meeting, the remaining members present shall elect one of their numbers to chair the meeting.

11.6.5 NRGC Committee members must attend 75% of all meetings during a financial year of the company to remain on the Committee. Noncompliance with attendance requirements can only be approved under special request to and approved by the Board.

11.6.6 Teleconferencing is permitted.

11.6.7 Members of management and/or parties external to the Company may be invited by the Chairman to attend any meeting of the NRGC or part thereof.

11.7 VOTING RIGHTS

- 11.7.1 A duly convened meeting of the NRGC 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 NRGC.
- 11.7.2 All decisions of the NRGC will be based on a simple majority of the members present at the meeting. In the event of a tie, the Chairman or in his absence, the Acting Chairman of the NRGC will have the casting vote.
- 11.7.3 No NRGC member shall vote or participate in a determination of any matter in which the member shall or may receive a special private gain. NRGC members have a duty of loyalty that precludes them from being influenced by motives other than the accomplishment of the purposes of the NRGC.
- 11.7.4 No member of the Board (or of the NRGC) shall attend those parts of the NRGC where their own remuneration is considered.
- 11.7.5 The Chairman of the NRGC shall review the performance and recommend the remuneration for the other members of the NRGC.
- 11.7.6 Any attendee who is not a member of the NRGC may not vote on any matter coming before the NRGC for a vote.
- 11.7.7 All decisions of the NRGC relating to remuneration shall be referred to the Board of Directors. These decisions shall take effect only upon resolution by the Board. However, the Board shall only have the power to approve rather than to vary a decision on remuneration matters. In the event that the Board is unable to approve the NRGC decision, the matter shall be referred back to the NRGC by the Board for further consideration.

11.8 RESOURCES AND AUTHORITY

- 11.8.1 The NRGC is authorised to obtain, at the Company's expense, outside advice on any matters within its Charter and in accordance with the Discretionary Authority Limits.
- 11.8.2 The NRGC is authorised to seek any information it requires from any employee of the Company in order to perform its duties.

- 11.8.3 For appointment of consultants or executive search firms used to identify director candidates, this authority shall be vested solely in the Committee.

11.9 DUTIES AND RESPONSIBILITIES

The duties of the NRGC will be as follows:

- 11.9.1 Nomination of members of Board and Sub-committees CEO/GM, CFO and Corporate Secretary (HC-4.2.1(a)) (Vol.6)
- 11.9.2 Review and recommend changes to the size, structure, composition, duties or frequency of meetings.
- 11.9.3 Establish and supervise the Board's criteria (Factors include judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board.) and process for selecting new Directors.
- 11.9.4 Establish and supervise the criteria and materiality thresholds and process for selecting new Independent Non-Executive Directors.
- 11.9.5 Identify and nominate to the Board, individuals qualified to serve as Board members of the Company, consistent with Board criteria.
- 11.9.6 Review a description of the role and capabilities required for appointment of Senior Management, particularly the CEO/GM and CFO and Corporate Secretary. The NRGC is specifically excluded from making any recommendation with regards to appointment of the internal auditor.
- 11.9.7 Review and recommend the nomination of Directors to fill vacancies that may occur between annual shareholders' meetings.
- 11.9.8 Implement procedures to secure adequate succession of Board members and senior management.
- 11.9.9 Ensure prior to appointment that candidates have sufficient time to undertake the role and verify no conflict of interest exists e.g. if a candidate is being

considered for Chairman, that they should not be a chairman of a similar Company/organisation.

11.9.10 Prepare the decision-making process of the Board concerning potential conflicts of interest.

11.9.11 Ensure that the Secretary, on behalf of the Board, has written to all new appointees, detailing their role and time commitments, providing Charters for each committee to which they are being appointed, to undertake an induction programme and, as necessary, training, that has been produced in consultation with the Chairman.

11.9.12 Ensure each new Director has signed their Letter of Appointment.

11.9.13 Retain and terminate any search firm used to identify candidates for Directorship and shall have sole authority to approve the search firm's fees and other retention terms.

11.9.14 Establish procedures for the NRGCC to exercise oversight and evaluation of the Board i.e. the Chairman shall lead the Board in its annual performance evaluation including:

11.9.14.1 Soliciting comments from all members.

11.9.14.2 Reviewing the skills and characteristics of individual Board members as well as the composition of the Board, including assessments of independence of non-executive directors.

11.9.14.3 Reviewing the performance of the Board Sub-committees.

11.9.14.4 Preparing a report to the Board containing its evaluation and recommendations.

11.9.14.5 Provide formal and tailored induction training to each new Director. This should include the following: (HC-4.5.1) (Vol.6)

- Meetings with senior management;
- Visits to Company facilities;
- Presentation regarding strategic plans, significant financial, accounting and risk management issues;
- Compliance programmes;
- Internal and independent auditors and legal counsel.

Such induction should be attended by all continuing Directors to update themselves as to the Company's business and corporate governance. (HC-4.5.2) (Vol.6)

Potential non-executive Directors should be made aware of their duties before their nomination, particularly concerning the time commitment of the role. The NRCG should review regularly the time commitment required from each non-executive Director and should require each NED to inform the Board before he accepts any Board appointments to another company. (CG Code 1.2)

Management, in consultation with the chairman of the Board, should hold programs and presentations to directors respecting the Company and its industry, which may include periodic attendance at conferences and management meetings.

11.10 REMUNERATION

11.10.1 Review and recommend the following for the Board approval:

11.10.1.1 Compensation policy of the Company in particular for the approved persons and for individual circumstances, taking into account total remuneration including salaries, fees, expenses and employee benefit. (HC-5.2.1)

11.10.1.2 Recommend Board member remuneration based on their attendance and performance. (HC-5.2.1)

11.10.1.3 Remuneration of non-executive Directors should not include performance related elements, such as grants of shares, share options or other deferred stock related incentive schemes, bonuses or pension benefits. (HC-5.5.1) (Vol.6)

11.10.1.4 The CEO/GM's recommendations on the composition of the Company's senior management team.

11.10.1.5 Specific remuneration packages of the independent Directors.

11.10.1.6 For the Senior Executive the NRCG specifically will:

- Ensure that the CEO and the GMs have service contracts with terms that are appropriate to their positions and the industry in which the Company operates.

- Review and determine a market competitive annual salary for the CEO and the GMs.
- Review and determine the appropriateness of any benefits provided to the CEO/GM. The remuneration of officers should be structured such that a proportion of the total is linked to company and individual performance and aligns their interest with the interest of the shareholders. Such rewards may include grants of shares, bonuses, and pension benefits which are not based on salary. Should an officer also be a Director, his remuneration as an officer should take into account compensation received in his capacity as a Director. All performance based incentives should be awarded under written objective performance standards which have been approved by the Board and are designed to enhance shareholder and company value, and under which shares should not vest and options should not be exercisable within less than two years of the date of award of this incentive. (HC-5.6.1) (HC-5.6.2) (HC-5.6.3) (HC-5.6.5)
- Remuneration (including incentives, bonuses and other rewards) of approved persons must be sufficient to attract, retain and motivate persons of the quality needed to run the Company successfully. The Company must avoid paying more than is necessary for that purpose. (HC-5.4.1)
- Where remuneration is structured so as to link rewards to corporate and individual performance, criteria should avoid excessive focus on short-term profitability measures. (HC-5.4.2)
- Propose annual performance targets and monitor actual performance against targets set.
- Review annual results in consultation with the CEO and the GMs.
- Review and determine long term incentive (including share scheme) awards for the CEO and the GMs.
- Review any other matters related to the remuneration and benefits of the CEO and the GMs and make recommendations to the Board accordingly.

- Approve acceptance of outside directorships on Boards by the CEO/GM.

11.10.1.7 Review recommendations made by the CEO/GM of the Company regarding the remuneration arrangements of the company's senior managers.

11.10.1.8 Responsibility to determine remuneration policy and individual remuneration arrangements for all staff beyond the senior managers rests with the CEO/GM of the Company in consultation, where appropriate, with the NRG. Specifically, the NRG may review:

- The staff remuneration strategy and policy of the Company.
- Standard terms of employment of staff and any exceptions thereto.
- Market competitiveness of salaries and benefits provided to staff by the Company.
- Annual bonus plans and annual bonus awards made by the Company.
- Long term incentive plans (including share schemes) and any awards made by the Company under such schemes.
- The remuneration scheme will be approved by the General Assembly. Review and approval of Directors' remuneration will be a standing agenda item at the AGM. Policies in respect of Directors' remuneration must be clearly disclosed in the annual financial statements. (HC-5.4.1) (HC-5.5.1) (CGC-Principle 5)
- Directors' remuneration must comply with all applicable laws and Regulations, including the provisions contained in Legislative Decree No. 21 of 2001, with respect to promulgating the Commercial Companies Law (CCL), capping Directors' remuneration as a percentage of net profits. (CCL). (HC-5.5.1) (CGC-Principle 5)

11.10.1.9 NRG shall be responsible to the Board for the overview of the employee benefits.

11.10.1.10 The NRG examines or requires the appropriate senior managers of the Company to examine any other aspect of remuneration within the Company.

11.10.1.11 Review, monitor and make recommendations regarding the orientation (induction) and ongoing development of existing and new directors such as continued education / training programmes.

11.10.1.12 All share and performance incentive plans (if any) should be approved by the shareholders. Approval should be only of the plan itself, and not of the grant to specific individuals of incentives under the plan. (HC-5.6.4) (HC-5.6.6) (Vol.6)

11.10.2 Members of the Board will be remunerated based upon their attendance and performance.

11.10.3 The Committee shall evaluate the CEO/GM's performance in light of corporate goals and objectives, and may consider the Company's performance and return relative to comparable insurance companies, the value of awards at comparable companies, and awards to the CEO/GM in past years.

11.10.4 The Committee will also be responsible for retaining and overseeing outside consultants or firms for the purpose of determining director or officer remuneration, administering remuneration plans, or related matters.

11.10.5 The performance evaluation and remuneration of senior management and staff of the Company must be based on the achievement of the Key Performance Indicators (KPIs) relevant to ensuring compliance with AML/CFT requirements (HC-10.5.3) (Vol.6)

11.11 GOVERNANCE

11.11.1 Develop and recommending periodic changes to the Board the Company's corporate governance framework including guidelines.

11.11.2 Oversee compliance with the Company's Code of Conduct by officers and directors of the Company.

11.11.3 Monitor and benchmark local and international developments in relevant regulations against the Company's governance framework.

11.11.4 Detail the contents that should be published in the Annual Report relating to the corporate governance activities of the Company.

11.11.5 Oversee Directors' corporate governance educational activities. (HC-4.5.2)
(Vol.6)

11.11.6 Ensure the Company's Corporate Governance guidelines are published on the Company website. Corporate Gov. Code (CGC)

11.11.7 Conduct review of Corporate Governance Guidelines at least once per year.

11.12 GUIDING PRINCIPLES

11.12.1 The NRGC will be guided by the following broad principles:

- Protection of the Company's reputation
- Protection of clients
- Integration of regulatory requirements into business processes
- Facilitate growth by early assessment of compliance aspects of new initiatives
- Anticipate regulatory changes
- Maintain regular communication with regulatory bodies
- Avoidance of duplication with the function of internal audit

11.12.2 Members of the NRGC and other persons who attend these NRGC meetings must maintain silence on all documents they receive, on the contents of deliberations and on all confidential information of the Company and its customers, particularly operating and business information that are disclosed to them in the course of their work on the NRGC.

11.12.3 The NRGC shall exercise utmost discretion when making written records of its deliberations and recommendations regarding nominations.

11.13 SKILLS REQUIREMENTS

11.13.1 The Board shall ensure that the directorship, compensation and governance issues faced by the Company are covered by the skills of the NRGC members, which should include the following:

- Independence from day to day activity

- Knowledge of the markets, business and strategies of the Company and the way rewards are structured in the industry
- Knowledge of performance measurement systems (financial and non-financial metrics)
- In general, NRGC members should possess requisite characteristics such as integrity, judgment, credibility, trustworthiness, strategic thinking, intuition, vision, industry knowledge, communication skills, decision-making ability, interpersonal skills, willingness to participate actively and ability to handle conflicts constructively.

11.14 VISIBLE DELIVERABLES

11.14.1 The visible deliverables of the NRGC will include:

- Formation of sub-committees.
- Nomination of Board and Sub-committees members.
- Selection criteria and appointment procedures for Board and Sub-committee members.
- Role description and capabilities required for a particular appointment
- Annually updated long-term plan for Board composition that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of the Company vis-à-vis the Board's short-term needs and long-term succession plans.
- Remuneration structure for the Company including Directors' and senior management.
- Performance evaluation of the Board, Sub-committees and individual directors.
- Establishment and approval of a Long Term Incentive Plan (LTIP)
- Establishment of employee share scheme (possibly a trust).
- Rewards system for senior management and other staff, as appropriate.
- Induction plan and continuing education programme / training for Directors.

- Corporate governance framework, Charters, Terms of References, Code of Conduct and other governance documents.
- Conflict of interest resolution.

11.15 PERFORMANCE EVALUATION

- 11.15.1 The NRGC shall submit in writing an annual performance evaluation of the NRGC. This evaluation will compare the performance of the NRGC with the requirements of this Charter, and include any improvements.
- 11.15.2 The Board may require the NRGC Chairman, or appointed nominee from the NRGC, to present and discuss the findings and recommendations of this report.

11.16 MINUTES OF MEETING

- 11.16.1 The Secretary to the Committee will be responsible for preparing minutes of the Committee meetings. The minutes of the NRGC meetings will be tabled and approved at the subsequent meeting and signed off by the Chairperson of the NRGC. Thereafter, it will be circulated to all members of the Board.

11.17 REPORTING

- 11.17.1 The NRGC, through its Chairman, reports to the Board at the earliest scheduled Board meeting after each NRGC meeting. Reports will cover any matters that in the opinion of the NRGC should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.
- 11.17.2 The Chairman of the NRGC shall submit an annual report to the Board (at the Board meeting at which the yearend financial statements are approved) summarizing the NRGC's activities during the year.
- 11.17.3 The Company's annual report should contain a separate section that describes the role and activities of NRGC.
- 11.17.4 Report at least annually to the Board providing a comprehensive overview of remuneration arrangements for the Company's senior management team. The

Annual Remuneration Report shall also provide a schedule of likely issues and initiatives that the NRGC plans to address over the forthcoming year.

11.18 ANNUAL GENERAL MEETING

The Chairman of the NRGC shall attend the Annual General Meeting in order to respond to any shareholder inquiries on the NRGC's activities.

11.19 BOARD TRANSPARENCY

Every Board member shall have unrestricted access to all records of the NRGC, but in accessing such records, the member must disclose to the Board that they have activated such rights.

11.20 BOARD NOMINATIONS TO SHAREHOLDERS AND ELECTION

11.20.1 The Corporate Governance Code for the Kingdom of Bahrain requires that Board proposals for the appointment or appointment of Directors should be accompanied by the following information:

11.20.2 Recommendation from the Board;

11.20.3 Summary of advice from the Nominating Committee;

11.20.4 The following specific items of information (HC-4.4.1) (Vol.6)

11.20.5 The term to be served, which may not exceed three years, (but there need not be a limit on re-election for further terms;

11.20.6 Biographical details and professional qualifications;

11.20.7 In the case of an independent Director, a statement that the Board has determined that independence criteria, as presented by the Bahrain Code of Corporate Governance, have been met;

11.20.8 Any other Directorships held;

11.20.9 Particulars of other positions which involve significant time commitments; and

11.20.10 Details of relationships between:

11.20.11 The candidate and the Company;

11.20.12 The Candidate and other Directors of the Company.

11.20.13 While proposing re-election the Chairman of the Board must confirm to shareholders that following a formal performance evaluation process, the person's performance continues to be effective and the individual continues to demonstrate commitment to the role.

11.20.14 Any Board term in excess of 6 years (two 3 year-terms) must be subject to particularly rigorous review. This should take into account the need for progressive refreshing of the Board.

11.20.15 Election of Directors

11.20.16 The General Assembly should elect the Board members by secret accumulative voting . (CCL-article 176)

11.20.17 The Compny must notify the relevant authorities immediately on any change in board.

11.21 THE BOARD SHALL ESTABLISH A CLEAR AND EFFICIENT MANAGEMENT STRUCTURE

11.21.1 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. The officers shall include at a minimum: (HC-6.2.1)(Vol.6)

- a. CEO
- b. CFO
- c. Corporate Secretary
- d. Internal Auditor
- e. Compliance Officer

11.21.2 The Board shall adopt by laws prescribing each officer's title, authorities, duties, and internal reporting responsibilities. This should be done with the advice of the NRGc and in consultation with the CEO, to whom other officers should normally report. (HC-6.3.1) (Vol.6)

11.21.3 These provisions include, but are not limited to the following:

- The CEO shall have the authority to act generally in the Company's name, representing the Company's interests in concluding transactions on the Company's behalf and giving instructions to other officers and Company employees; (HC-6.3.2(a)) (Vol.6)
 - The CFO shall be responsible and accountable for the complete, timely, reliable and accurate preparation of the Company's financial statements, in accordance with the accounting standards and policies of the Company, and for presenting the Board with a balanced and understandable assessment of the Company's financial situation; (HC-6.3.2(b)) (Vol.6)
 - The Corporate Secretary's duties shall include arranging, recording, and following up on the actions, decisions and meetings of the Board and of the Shareholders, in books kept for that purpose. (HC-6.3.2(c)) (Vol.6)
 - The Internal Auditor's duties shall include providing an independent and objective review of the efficiency of the Company's operations. This shall include a review of the accuracy and reliability of the Company's accounting records and financial reports as well as a review of the adequacy and effectiveness of the Company's risk management, control and governance processes. (HC-6.3.2(d)) (Vol.6)
- 11.21.4 The Board shall specify limits on the authority of the CEO and other officers, such as monetary maximums for transactions which they may authorize without special Board approval. (HC-6.3.3) (Vol.6)
- 11.21.5 The Corporate Secretary will be given responsibility for reviewing the Company's procedures and advising the Board accordingly on such matters. The Corporate Secretary should be a person with legal or similar professional experience and training. (HC-6.3.4) (Vol.6)
- 11.21.6 At least annually the Board shall review and concur a succession plan addressing the policies and principles for selecting a successor to the CEO, both in emergencies and in the normal course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO. (HC-6.3.5) (Vol.6)
- 11.21.7 In conjunction with the Board, the Chief Executive Officer /General Manager must maintain a clear mapping of the risks faced by the business and

document the organizational and other controls maintained to meet those risks.

- 11.21.8 In conjunction with the Board, the Chief Executive Officer /General Manager must maintain a clear and appropriate apportionment of significant responsibilities amongst senior management. The apportionment must be clear as to who has which responsibility, and must permit the business and affairs of the licensee to be adequately monitored and controlled by the Board, the Chief Executive Officer /General Manager, and relevant heads of function. The apportionment must also ensure appropriate segregation of duties where these are required for effective controls.
- 11.21.9 Bahraini insurance firms must consider the need to establish an Executive Management Committee to support the Chief Executive Officer /General Manager. Where an insurance firm does not consider it necessary to create an Executive Management Committee, it must be prepared to give reasons for its decision to the CBB, and to explain what checks and balances will apply to executive management. The Committee should comprise the Chief Executive Officer /General Manager and appropriate heads of functions, such as the head of risk management, the Chief Finance Officer, the Chief Operations Officer, the head of underwriting and other key business divisions. The Committee's responsibilities should include the oversight of day-to-day implementation of strategy, limits and procedures. It should also monitor the day-to-day performance of individual business lines and departments relative to targets, limits, and policies (in conjunction with other committees and functions, such as the Risk Committee or the Risk Management or Compliance functions). The Board is responsible for ensuring that there is a clear framework of delegated authorities and a clear demarcation of duties between the Board, the Executive Committee, the Chief Executive Officer and other members of senior management.

MODULE – 12

EXECUTIVE & INVESTMENT COMMITTEE (EIC) – CHARTER

12.1 PREAMBLE

- 12.1.1 This charter for the Executive & Investment Committee (EIC) sets out the membership, responsibilities, principles and operations of EIC and identifies the interaction with the Board of directors and the management.
- 12.1.2 The Charter must be read in conjunction with the Company's "Principles of Good Corporate Governance and Best Practice" and other governance documents.

12.2 ROLE OF THE EXECUTIVE & INVESTMENT COMMITTEE

- 12.2.1 To review and discuss the strategy of the Company for the Board approval, and to guide, monitor, coordinate the management and the performance in line with the strategy, business plan and budget approved by the Board.
- 12.2.2 To assist the Board of Directors in maintaining oversight of financing requirements including raising capital and investment management, asset liability management and other financial matters.
- 12.2.3 Through audit and compliance committee, ensuring and maintaining oversight of the company's internal control, risk management and overall control environment, and
- 12.2.4 To carry out duties delegated to it from time to time by the Board of Directors.

12.3 REPORTING LINES

The EIC shall report to the Board of Directors with a horizontal co-ordination with the Audit, Compliance and Risks (ACRC) Committee on relevant matters.

12.4 COMPOSITION

- 12.4.1 The EIC members, shall be recommended by the Nominations, Remuneration and Governance Committee (NRGC) and appointed by the Board, all must be members of the Board.
- 12.4.2 The EIC will comprise minimum of three (3) members

- 12.4.3 The EIC members will elect the Chairman and the vice Chairman in their first meeting and these positions will be held for the whole term of service.
- 12.4.4 The term of the service of the members shall be co- terminus with their services to the Board.
- 12.4.5 Vacancies shall be filled for the remainder of the current term from the existing Board members.

12.5 SECRETARY

The Committee shall appoint its Secretary in its first meeting.

12.6 MEETING & QUORUM

- 12.6.1 The EIC shall meet at least four times in a year or as required to undertake its role effectively. The EIC Chairman will call a meeting of the EIC if so requested by any member of the EC or the Chairman of the Board.
- 12.6.2 A quorum will be three members as minimum.
- 12.6.3 The EIC Chairman will chair all regular sessions of the EIC and set the agenda for meetings in coordination with the management. Save in urgent cases, the Secretary of the EIC shall provide the members with an agenda and necessary documentation as early as possible and in general, at least seven days before a meeting takes place.
- 12.6.4 In the absence of the EIC Chairman at a meeting the Committee Vice Chairman shall chair the meeting.
- 12.6.5 EIC Committee members must attend 75% of all meetings to remain on the Committee. Non Compliance with attendance requirements can only be approved under special request by the Board.
- 12.6.6 Teleconferencing is permitted.
- 12.6.7 Members of the management and / or parties external to the company may be invited by the EIC Chairman to attend any meeting of the committee.

12.7 VOTING RIGHTS

- 12.7.1 A duly convened meeting of the EIC at which the quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the EIC.

- 12.7.2 All the decisions of the committee will be based on the simple majority of the members present at the meeting. In the event of a tie the EIC Chairman or in his absence the acting Chairman of the EIC will have the casting vote.
- 12.7.3 No EIC member shall vote or participate in a determination of any matter in which the member shall or may receive a special private gain. EIC members have a duty of loyalty that precludes them from being influenced by motives other than the accomplishment of the purposes of the EIC.
- 12.7.4 Any attendee who is not a member of the EIC may not vote on any matter coming before the EIC for a vote.

12.8 RESOURCES AND AUTHORITY

- 12.8.1 As and when necessary, the EIC is authorized to obtain, at the company's expense, outside advice on any matters within its Charter and in accordance with the Discretionary Authority Limits.
- 12.8.2 The EIC is authorized to seek any information it requires from any employee of the Company in order to perform its duties.

12.9 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the EIC will be as follows, bearing in mind the role of the EIC as stated in 2 above:

- 12.9.1 Ensure that the Management of the Company are performing within the brief of the Board;
- 12.9.2 To monitor that the Company is within the agreed budgets and if not why not;
- 12.9.3 To ensure that the Company has in place tools to monitor performance and that its Key Performance Indicators (KPI) are being checked and achieved;
- 12.9.4 To Assist Management and advice the Board on strategic projects for medium to long term development of the Company;
- 12.9.6 To monitor and assist the Company in its reinsurance policies;
- 12.9.7 To advise and assist the Company on its investments;
- 12.9.8 To monitor the Company's investment and underwriting performance;
- 12.9.9 To discuss budgets and projections for forward recommendations to the Board.
- 12.9.10 To review/decide on needs for appointing consultants to facilitate the work of management and Board in specific areas.

- 12.9.11 To oversee policy development pertaining to ethics, security guidelines, quality management, human resources and regulatory requirements.

12.10 GUIDING PRINCIPLES

The EIC will be guided by the following broad principles:

- 12.10.1 Protection of company's reputation
- 12.10.2 Protection of clients
- 12.10.3 Integration of regulatory requirements into business processes
- 12.10.4 Facilitate growth by early assessment of compliance aspects of new initiatives
- 12.10.5 Maximizing long term shareholder wealth
- 12.10.6 Avoidance of duplication with function of internal audit
- 12.10.7 In accordance with the CBB Rulebook HC Module and Corporate Governance Code for the Kingdom of Bahrain, the Executive Committee will act only within its mandate, and shall not dominate the Board, or override it in decision making. (HC-1.9.6)
- 12.10.8 Members of the EIC and other persons who attend EIC meetings must maintain confidentiality.

12.11 PERFORMANCE EVALUATION

- 12.11.1 The EIC shall submit in writing and review with the Nomination, Remuneration and Governance Committee, an annual performance evaluation of the EIC. This evaluation will gauge the performance of the EIC against the requirements of this charter and include any improvements.
- 12.11.2 The Board may require the EIC Chairman or the appointee nominee of the committee to present and discuss the findings and recommendations of its reports.

12.12 MINUTES OF THE MEETING

- 12.12.1 The secretary of the committee will be responsible for preparing the minutes of the committee meetings. The minutes of the committee will be tabled, approved and signed by the Committee members who attended the meeting at the subsequent meeting.

- 12.12.2 The Chairman of the EIC will submit a copy of the minutes of each meeting to be attached with the papers of the earliest scheduled Board meeting after each EIC meeting.
- 12.12.3 The EIC through its Chairman will report to the Board at the earliest scheduled Board meeting after each EIC meeting.

MODULE – 13

INTERNAL AUDIT – CHARTER

1 Introduction

13.1 Purpose

This Charter provides the framework for the efficient and effective operations of the Internal Audit Function of Bahrain National Holding Company B.S.C. and its subsidiaries (BNH Group or BNH).

It presents the definition, responsibility and authority of Internal Audit within BNH and outlines its scope of work.

13.2 Approval

This Charter is to be approved by the Board / Audit, Compliance and Risk Committee (ACRC) of BNH. It shall be subject to regular (at least annual) review. Any changes to the Charter must be approved by the Board / ACRC.

13.3 Legal Basis

The Board, in drafting this Charter, intends to comply with all relevant laws and regulations and best practice, with regards to Internal Audit. This includes the Commercial Companies Law of the Kingdom of Bahrain, the Rulebook of the Central Bank of Bahrain, and any other statutory requirement. The Charter also intends to comply with the Definition of Internal Auditing, Code of Ethics and International Standards, as issued by the Institute of Internal Auditors (IIA).

Should there be any discrepancy between this document and applicable laws, regulations or Standards, the Internal Audit function will act in accordance with the more stringent requirements.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit function will adhere to BNH's relevant policies and procedures and the internal audit function's standard operating procedures manual.

13.4 Definition of Internal Audit

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach

to evaluate and improve the effectiveness of risk management, internal control and governance processes.

(Definition of Internal Auditing as stated by the IIA).

13.4.1 Independence and Objectivity

Independence of the Internal Audit function is critical to its ability to fulfill its mandate as presented in this Charter.

The Internal Audit function will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

In order to ensure independence of the Internal Audit function, the following principles must be adhered to:

- The head of Internal Audit function reports functionally to the Board, through the ACRC, and administratively to the Chief Executive Officer (CEO).
- The Internal Audit function is not involved in any of BNH Group's day to day operations and control procedures. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. It is the responsibility of management to oversee the effective operation of internal controls and the efficiency of operations;
- Internal Audit function will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments;
- Internal Audit must not take any decision that would under normal circumstances be the responsibility of management;
- Internal Audit must be independent of senior management in reporting to the ACRC;
- Any advisory or consulting role performed by Internal Audit must not impede its ability to act independently in discharging its Internal Audit duties;
- Internal Audit personnel must avoid any conflicts of interest;
- Internal Audit function must not assess specific operations for which they had responsibility within the previous year;
- The head of the Internal Audit function will confirm to the Board / ACRC, at least annually, the organizational independence of the Internal Audit function.

Impairment to Independence and Objectivity:

If organizational independence or personal objectivity is impaired in fact or appearance, the details of such impairment will be disclosed to the Board / ACRC and

senior management depending upon the nature of impairment. Impairment includes but not limited to personal conflict of interest, scope limitations, restrictions on access to records, personnel or properties, and resource limitations, such as funding.

Where the internal audit function has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

13.4.2 CBB Approval

The Internal Auditor is considered to be a head of function within BNH Group. As such, the Internal Auditor is subject to CBB prior approval requirements.

13.5 Internal Audit Vision and Mission

Vision: To be an independent, objective, assurance function with a relentless focus of high-risk areas, ensuring compliance with BNH's internal policies, processes and controls while adding real tangible value to BNH Group.

The above vision will be achieved by aligning Internal Audit function with BNH's key business objectives, deploying specialist expertise using latest methodology / technology, providing business insights and operating with optimum efficiency.

Mission: To provide an independent assessment on governance, risk management and control processes for BNH Group. Internal Audit aims to contribute to:

- Building strong and effective risk awareness and control consciousness within BNH Group;
- Continuously improving risk management and control processes so that they operate at optimum effectiveness and cost efficiency and reflect leading practice; and
- Sharing best practice about risk management and assurance across BNH Group;

This is achieved through implementation of best practice methodologies and leveraging expert capability.

13.6 Internal Audit Values

- A. Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- B. Objectivity - Internal Audit shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- C. Confidentiality - Internal Audit shall respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- D. Competency - Internal Audit shall apply the knowledge, skills, and experience needed in the performance of internal audit services.

13.7 Authority of the Internal Audit Function

To establish, maintain, and assure that BNH Group's Internal Audit function has sufficient authority to fulfill its duties, the Board/ACRC will:

- Approve the internal audit function's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit function's budget and resource plan.
- Approve decisions regarding the appointment and removal of the head of internal audit function.
- Approve the remuneration of the head of internal audit function.
- Make appropriate inquiries of management and the head of internal audit function to determine whether there is inappropriate scope or resource limitations.

13.7.1 Source of Authority

The Internal Audit function derives its authority from the Board of Directors as representatives of the shareholders of BNH Group. This Charter, and its acceptance by the Board / ACRC, defines in full the authority of the Internal Audit function.

13.7.2 Scope of Authority

All employees are requested to assist the Internal Audit function in fulfilling its roles and responsibilities. The Internal Audit function is authorized to undertake the following in order to fulfill its remit:

- Have free and unrestricted access to the Board / ACRC on issues strictly related to their work, including in private meetings without management present;
- Have free and unfettered access to documents and records of BNH Group. This includes access to paper documentation and that stored in electronic or any other format;
- Have free access to all physical places where BNH undertakes its operations;
- Have access to all members of staff and management in order to obtain information and explanations required in a timely manner.

13.8 Responsibilities of Internal Audit Function

13.8.1 Scope of Work

The scope of work performed by the Internal Audit function must be sufficient to fulfill its role, as defined in section 12.2.

To this end, Internal Audit will encompass the following:

- Risk assessment and review of risk management procedures;
- Review of internal control systems, such as policies and procedures;
- Perform transaction testing;

- Review means for safeguarding assets and, as appropriate, verifying the existence of such assets;
- Ascertain whether resources are being used efficiently and effectively;
- Review systems established to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on the Group/BNH;
- Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity;
- Review and adjust the internal audit plan, as necessary, in response to changes in BNH Group's business, risks, operations, programs, systems, and controls;
- Evaluate the quality of performance of external auditors and the degree of coordination with internal audit;
- As and when required, perform special investigations, to prevent / detect fraud;
- Perform consulting and advisory engagements related to governance, risk management and internal control as appropriate for the Group/BNH;
- Contribute to projects and programs which may be undertaken by BNH from time to time;
- Reporting periodically, report on the Internal Audit function's purpose, authority, responsibility, and performance relative to its plan.
- Evaluating specific operations at the request of the Board / ACRC or management, as appropriate;
- Make recommendations to the Board / ACRC and Senior management for the improvement of corporate governance, risk management and the control environment; and
- Conduct follow up audits to ascertain whether recommendations have been implemented in a timely fashion and provide update to the Board / ACRC on identified risks.

13.8.2 Internal Audit Deliverables

Internal Audit will undertake the following on an annual basis:

- *Risk Assessment and Audit Plan*

Internal Audit will conduct an annual risk assessment exercise. While this is an independent assessment of the risks impacting BNH Group, it should be performed with input from the Board / ACRC and senior management. Risk assessment should identify those areas of significant risk to BNH Group. The Internal Audit function will draft a plan of engagements in order to ensure that adequate assurance is provided to the Board and shareholders in a timely manner. Both the risk assessment and audit plan should be presented to the Board / ACRC and senior management for approval in advance of the Internal Audit year. The head of Internal Audit will review and adjust the audit plan, as necessary, in response to changes in the BNH Group's business, risks,

operations, programs, systems, and controls. Any amendments to the assessment and plan over the course of the year should be similarly approved.

- *Scope Letter*

In advance of each audit assignment, the Internal Audit function will agree the audit scope with the relevant managers. This will include a detailed description of the areas under consideration, resources required from the auditee and timing of the engagement.

- *Internal Audit Reports*

BNH Group will receive Internal Audit reports on a periodic basis over the course of the year. The scope and frequency of each audit will be based on the risk assessment and/or the audit plan.

The reports will include an executive summary of work performed, an assessment of the adequacy of controls, and detailed findings and observations. The findings will be prioritized based on a defined criterion. The report will include management's action plan to take remedial action, detailing responsibility, actions to be taken and the timeframe for implementation. In addition, the report will list all issues (pertaining to the same audit area) which have been previously identified (if any), but which at the date of the report, have not yet been resolved.

All internal audit reports will be thoroughly reviewed by the head of internal audit, before presenting the same to the senior management and ACRC.

Reports will be distributed to the ACRC and relevant senior management in a timely manner.

13.8.3 Standards

The Internal Audit function will be undertaken in a manner that is consistent with the applicable laws in the Kingdom of Bahrain, and the Definition, Code of Ethics and the Standards, issued by the IIA. The head of Internal Audit function will report periodically to senior management and the ACRC regarding the internal audit function's conformance to the Code of Ethics and the Standards, with the following qualifications:

- If the internal audit function is prohibited by law or regulation from conformance with certain parts of the Standards, the head of Internal Audit function will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
- If the Standards are used in conjunction with requirements issued by other authoritative bodies, the head of Internal Audit function will ensure that the internal audit function conforms with the Standards, even if the internal audit function also conforms with the more restrictive requirements of other authoritative bodies.

13.8.4 Staffing and Resources

The Internal Audit function will ensure that it has adequate staff and resources to fulfill the audit plan. Should any shortfall exist, the head of Internal Audit function will undertake to obtain such resources as necessary.

13.8.5 Quality Assurance and Improvement

The work of the Internal Audit function will be subject to rigorous quality assurance review. This includes internal review of all reports and other deliverables.

The Internal Audit function will be subject to periodic internal and external review. The Internal Audit function will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include an evaluation of the Internal Audit function's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the Internal Audit function and identifies opportunities for improvement.

The head of Internal Audit function will communicate to senior management and the Board / ACRC on the Internal Audit function's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

The Internal Audit function will strive to improve continually its level and quality of service.

13.8.6 Confidentiality and Security of Information

The Internal Audit function undertakes to treat all information confidentially and store it in a secure manner.

13.8.7 Coordination with External Audit

The Internal Auditor will coordinate with the External Auditor and other assurance providers in order to ensure that assurance coverage is as complete as possible.

13.9 Responsibilities of Management

13.9.1 Respective role of Management and Internal Audit

It is the role of management to implement systems of governance, risk management and internal control. The role of Internal Audit is to provide assurance on these systems.

13.9.2 Management Support for Internal Audit

Management must ensure that the Internal Audit function has access to all necessary information, personnel and resources in order to undertake engagements.

Management will inform the Internal Auditor as soon as possible should any delay be anticipated in providing these.

13.9.3 Response to Internal Audit Reports and Resolution of Issues

Management will respond to issues identified in Internal Audit reports in a timely manner. Response typically includes a description of further action to be undertaken, responsibility for the action, and the anticipated time by which the issue will be resolved. Issues will be monitored until they are settled. If they have not been satisfactorily dealt with, Internal Audit may escalate the matter with senior management or the ACRC.

13.10 Outsourcing

Part or all of the Internal Audit function may be outsourced or provided at the Group level. Should Internal Audit be outsourced, a formal agreement will be put in place between BNH Group and the provider. All requests to outsource the internal audit function must be supported by a board resolution or ratified by the ACRC.

BNH Group must retain responsibility for their Internal Audit function and ensure that appropriate safeguards are built into the outsourcing contract.

The Internal Audit function cannot be outsourced to BNH Group's external auditor.

Prior approval is required from the CBB in advance of part or full outsourcing the Internal Audit function.

Where the Internal Audit function is outsourced, the scope and frequency of audits, reporting lines and review and approval process must be set out in the contract with the outsourcing provider.

APPENDIX (1)

CORPORATE GOVERNANCE DISCLOSURES

In accordance with the Code of Corporate Governance for the Kingdom of Bahrain, the Company shall disclose the following:

1. Ownership of Shares

- a. Distribution of ownership by nationality;
- b. Ownership by Government if any;
- c. Names of shareholders owning 5% or more and, if they act in concert, a description of the voting, shareholders' or other agreements between them relating to acting in concert, and of any other direct or indirect relationships among them or with the Company or other shareholders.

2. Board, Board Members and Management

- a. Board's functions – Mandate of the Board rather than a general statement;
- b. Types of material transactions requiring Board approval;
- c. Names, capacity of representation and detailed information about directors, including directorships of other Boards, positions, qualifications and experience. Statement of whether each director is executive or non-executive;
- d. Number and names of independent members;
- e. Board terms and the start date of each term;
- f. What the Board does to induct, educate, and orient new Directors;
- g. Directors' ownership of shares;
- h. Election system of directors and any termination arrangements;
- i. Directors' trading of Company shares during the year;
- j. Meeting dates and number of meetings during the year;
- k. Attendance of Directors at each meeting;
- l. Remuneration of individual members, divided into sitting fees, and other remuneration (split between performance and non-performance based).
- m. Remuneration policy;
- n. List of senior managers and profile of each;
- o. Shareholding by senior managers;
- p. Remuneration paid to each person in executive management divided in each case into salaries, perquisites, bonuses, gratuities, pensions and any other components;
- q. Details of stock options and performance linked incentives available to executives;
- r. Whether the Board has adopted a written code of ethical business conduct, and if so the text of that code, and a statement of how the Board manages compliance.

3. Committees

- a. Names of Board Committees;
- b. Functions of each committee;
- c. Members of each committee divided into independent and non-independent;
- d. Minimum number of meetings per year;
- e. Actual number of meetings;
- f. Attendance of committees' members;
- g. Members' remuneration (by member);
- h. Work of committees and any significant issues arising during the period.

4. Corporate Governance

- a. Separate section in the Annual Report;
- b. Reference to the HC Module and its principles; and
- c. Changes in the HC module taking place over the course of the year.

5. Auditors

- a. The Charters and members of the Audit and NRG Committees.
- b. Audit fees;
- c. Non-audit services provided by the external auditor's firm and respective fees; and
- d. Reasons for any switching of auditors or their reappointment.

6. Other

- a. Related Party Transactions (RPT);
- b. Approval process for RPT;
- c. Means of communication with shareholders and investors;
- d. Separate report on management discussion and analysis within the Annual Report. This should identify and comment on the management of principal risks and uncertainties faced by the business;
- e. Review of internal control processes and procedures;
- f. Announcements of results in the press should include at least the following:
 - i. Balance sheet, income statement, cash flow statement, statement of comprehensive income, and changes in shareholders' equity;
 - ii. Auditor;
 - iii. Auditors' signature date;
 - iv. Board approval date;
 - v. Directors' responsibility with regard to preparation of the financial statements.
- g. The Board must outline in its annual report its criteria and materiality thresholds for the definition of 'independence'. The Directors must be identified in the annual report as executive, non-executive, or independent non-executive. (HC-8.2.4) (Vol.4)

7. Conflict of Interest

- a. Any issues arising must be reported, describing any steps the Board takes to ensure Directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive director has a material interest.

8. Board of Directors

- a. Whether the Board of Directors, committees and individual directors are assessed regularly with respect to their effectiveness and contribution.

9. Shareholders' Meetings

- a. At each annual shareholders' meeting the Board must report on the insurance Company's compliance with its guidelines and the HC module, and explain the extent if any, to which it has varied from them, or believes that any variance or non-compliance was justified.
- b. At each annual shareholders' meeting the Board must also report on the items included in appendix D of the HC code. Such information should be maintained in the Company's website or held in the Company's premises on behalf of the shareholders.

COMPLIANCE

1 Introduction

This appendix sets out the principles by which the Board discharges its compliance responsibilities.

2 Establish Systems and Controls

The Board will establish and maintain effective systems and controls for compliance with the applicable requirements of the laws of the Kingdom of Bahrain, and those set out by the CBB, as well as those established under any other statute or regulator to which the Company is subject. (HC-6.3.4(e)) (Vol.6)

3 Compliance Function

If merited by the Company's size and complexity, it shall have a separate compliance function. The compliance function should: (HC-6.5.2) (Vol.6)

- Documenting the organization and its responsibilities;
- Being appropriately staffed with competent individuals;
- Having unrestricted access to the Company's records;
- Having ultimate recourse to the Board.

4 Other

The Compliance function may not be combined with the Internal Audit function. (HC-6.5.3) (Vol.6)

INDEPENDENCE CRITERIA


In accordance with the Code of Corporate Governance for the Kingdom of Bahrain, an independent Director whom the Board has specifically determined has no material relationship which could affect his independence of judgment, taking into account all known facts.

The Board should consider that, although a particular director meets the formal requirements, he may not be independent owing to specific circumstances of the person or the company, ownership structure of the company, or for any other reason. The board's determination should be a good faith finding after diligent review and full discussion.

Formal Requirements

“Independent director” means a director of the company who, or whose family shareholders either separately or together with him or each other, does not have any material pecuniary relationships or transactions with the company (not counting director's remuneration for this purpose) and in particular who, during the one year preceding the time in question met all then following conditions:

- (i) was not an employee of the company,
- (ii) did not:
 - a) make to, or receive from, the company payments of more than 31,000 BD or equivalent (not counting director's remuneration),
 - b) own more than a 10% share or other ownership interest, directly or indirectly, in an entity that made to or received from the company payments of more than such amount,
 - c) act as a general partner, manager, director or officer of a partnership or company that made to or received from the company payments of more than such amount,
 - d) have any significant contractual or business relationship with the company which could be seen to materially interfere with the person's capacity to act in an independent manner,
- (iii) did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the company,
- (iv) was not engaged directly or indirectly as an auditor or professional advisor for the company,
- (v) was not an associate of a Director or a member of senior management of the company, and



(vi) was not an associate of a Director, member of senior management or board member of the company's controller.

The Board should ensure that all material factors are taken into consideration when assessing the independence of Directors. This should include assessment of whether the Director has served more than two consecutive 3 year terms.

A GUIDE TO THE DIRECTORS

This guide is designed to assist the directors to discharge their ever increasing legal and ethical responsibilities.

1 DIRECTORS FUNDAMENTAL DUTIES

The Directors of Bahrain National Holding BSC are individually and collectively responsible for the discharge of, broadly speaking, the following fundamental duties.

1.1 Honesty and Good Faith

1.1.1 Common law, Central Bank of Bahrain (CBB) and other regulatory and government regulations require a Director to act honestly and in good faith in the best interests of the Company. The key elements of this standard of behavior are:

- Director must act in the best interests of the Company and not in his or her self-interest. This also means a Director should not be acting in the interests of any group where such interest conflicts with the best interest of the Company. A Director should not use property of the Company as if it was his own property. A Director should not take business opportunities of the Company for himself or compete in the business of the Company; (HC-2.2.2) (Vol.6)
- The interest of the licensee includes the licensee's continued compliance with all relevant rules and regulations, and the interests of its employees, customers and other stakeholders. The interest of shareholders includes the current and future value of the licensee, its status as a going concern, transparency and disclosure of information to the market. The interest of policyholders includes ensuring that the licensee fulfills its obligations under its policies and treats all policyholders fairly and pays equal regard to the interests of all policyholders and groups of policyholders.
- Approved persons must have full loyalty to the Company; (HC2.1.1) (Vol.6)
- A Director cannot take personal advantage of opportunities that come before them in the course of performing their corporate duties;
- A Director must disclose to the Board any personal interests that they hold that may conflict with the interests of the Company. Directors must serve the interests of the Company in any transaction where he has a personal interest. The Director will be considered to have a personal interest in a transaction with the Company if he himself, a member of his family, or another Company in which he is a Director or controlling shareholder is a party to the transaction or has a material financial interest in the transaction; (HC-2.2.3) (Vol.6)

- Each Director and officer should make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the Company; (HC-2.3.1) (Vol.6)
- A Director must respect the Company's confidentiality requirements. A Director should not disclose confidential information or use it for personal profit, not to take business opportunities of the company for himself, not to compete in business with the company, and to serve the company's interest in any transactions with the company in which he has a personal interest;(HC-2.2.2) (Vol.6)
- Each Director and Officer should understand that under the Commercial Companies Law, he is personally accountable to the Company and the shareholders if he violates his legal duty of loyalty to the Company and that he can be personally sued by the Company or shareholders for such violations. (HC-2.2.1) (Vol.6)
- A Board member cannot exercise any business in competition with the company's activities without special and justified authorization by the general assembly, to be renewed annually. (HC-2.3.2) (Vol.6)
- The Board must ensure that policies and procedures are in place to ensure that necessary customer confidentiality is maintained. (HC-2.3.2) (Vol.6)

1.2 Exercise Care and Diligence

1.2.1 A Director or officer must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. This means that Directors Attending meetings

- Participate in meetings in a meaningful way
- Be vigilant to ensure that the Company is being properly managed and is complying with the law
- Independently assess and question (Review and Challenge) the policies, processes and procedures of the Company, with the intent to identify and initiate management action on issues requiring improvement
- Acting within the scope of their responsibilities and not participate in the day-to-day management of the Company
- Having a proper understanding of, and competence to deal with the affairs and products of the Company and devote sufficient time to their responsibilities

Director must be proactive in the performance of their duties.

1.3 Disclosure of Interests

1.3.1 An approved person who is, in any way, directly or indirectly interested in an existing or proposed contract or transaction with the Company shall disclose the

nature and extent of that interest as and when it arises. The disclosure shall include all material facts in the case of a contract or transaction involving the approved person. The approved person must abstain on any matter in which they have an interest. (HC-2.4.1) (Vol.6)

- 1.3.2 A Director who holds any office or possesses any property whereby, directly or indirectly, a duty or interest might be created in conflict, whether real or perceived with that Director's duty or interest as a Director, shall declare the fact, and the nature and extent of the conflict or potential conflict

Any transaction in which Board members or any member of management have potential conflicts of interest should either be proscribed or require formal documented approval by the Board, with measures taken to manage those conflicts. (HC-2.2.7) (Vol.4)

Approved persons must understand that approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the transaction.

The Board will establish formal procedures for:

- Periodic disclosure and update of information by each approved person, on their actual and potential conflicts of interest; (HC-2.4.2(a)) (Vol.6)
- Advance approval for disinterested Directors or Shareholders of all transactions in which a Company Director or officer has a potential interest. The Board shall require such advance approval in every case. (HC-2.4.2(b)) (Vol.6)

The Company shall disclose to its shareholders in the Annual Report any abstention from voting motivated by a conflict of interest and shall disclose to its shareholders any authorization of a conflict of interest contract or transaction in accordance with the Company law. (HC-2.5.1) (Vol.6)

The Board must establish and disseminate to employee and appointed representative's policies and processes for the identification, reporting and prevention or management of potential conflicts of interest, including matters such as (HC-2.3.2) (Vol.6):

- Related party transactions
- The misuse of the licensee's assets
- The use of privileged information for personal advantage

On an annual basis, each approved person must inform the entire Board of conflicts of interest as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Company Law. This disclosure must include all material facts in the case of a contract or transaction involving the approved person. The approved persons must understand that any approval of a conflicted transaction is effective only if all material facts are known to the authorising persons and the conflicted person did not participate in the decision.

Any Board member should absent himself from any discussion or decision-making that involves a subject where he is incapable of providing objective advice, or which

involves a subject, transaction or proposed transaction where there is a potential conflict of interest. (HC-2.3.2(e)) (Vol.6)

2 LEADERSHIP BY THE BOARD AND ITS DIRECTORS

The Board and the director's, individually and collectively have responsibilities to undertake the following:

- 2.1 Statements about the Company's corporate values and ethical policy which should be short, simple and made available to everyone; but it is the example of the directors themselves that constitutes the most persuasive statement about ethics.
- 2.2 Disclose any possible conflicts of interest in matters before the Board and abstain from participating in the discussions on it and refrain from voting.
- 2.3 Directors must recognize the dictates of commercial confidentiality.
- 2.4 Solve the problems posed by related party transactions. Related party transactions should be listed in the annual report.

2.5 Structure the board to add value

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

2.6 Promote ethical and responsible decision-making

Actively promote ethical and responsible decision-making.

2.7 Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

2.8 Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

2.9 Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights.

2.10 Recognise and manage risk

Establish a sound system of risk oversight and management and internal control.

2.11 Encourage enhanced performance

Fairly review and actively encourage enhanced board and management effectiveness.

- 2.12 Remunerate fairly and responsibly
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
- 2.13 Recognise the legitimate interests of stakeholders
Recognise legal and other obligations to all legitimate stakeholders.

3 DIRECTOR'S LETTER OF APPOINTMENT

Directors will have letters of appointment that at minimum include:

- 3.1 Term of appointment
- 3.2 Time commitment envisaged
- 3.3 Powers and duties of directors and any special duties or arrangements attaching to the position
- 3.6 Remuneration and expenses
- 3.8 Requirement to disclose directors' interests and any matters affecting the director's independence
- 3.13 Confidentiality and rights of access to corporate information


4 CORPORATE CODE OF CONDUCT

Board must establish and disseminate to all employees and appointed representatives of the licensee a corporate code of conduct. The code of conduct must establish standards by giving examples or expectations of: (HC-2.2.5) (Vol.4)

- (a) Honesty;
- (b) Integrity;
- (c) The avoidance or disclosure of conflicts of interest
- (d) Maintaining confidentiality
- (e) Professionalism
- (f) Commitment to the law and best practices
- (g) Reliability; and
- (c) Leadership.

5 Definition of Personal Interest in a Transaction (HC-2.2.3) (Vol.6)

An approved person should be considered to have a "personal interest" in a transaction with a company if:

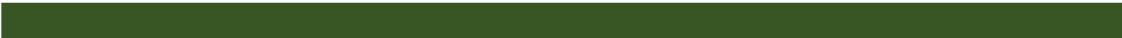


a) He himself; or

(b) A member of his family (i.e. spouse, father, mother, sons, daughters, brothers or sisters); or

(c) Another company of which he is a director or controller

is a party to the transaction or has a material financial interest in the transaction.
(Transactions and interests which are de minimis in value should not be included.)



APPENDIX (2)

Bahrain National Holding Company BSC

Performance Evaluation Criteria for the Board

<p>This form is to be completed based on the following ratings:</p> <p>1= Weak</p> <p>2= Needs Improvement</p> <p>3= Adequate</p> <p>4= Consistently good</p> <p>5= Strong</p>	<p>تتم تعبئة هذه الاستمارة وفقا للتقييمات التالية:</p> <p>١ = ضعيف</p> <p>٢ = يحتاج إلى تحسين</p> <p>٣ = ملائم</p> <p>٤ = جيد</p> <p>٥ = قوي</p>
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A. Board Structure		Rating التقييم					أ - هيكل مجلس الإدارة
		1	2	3	4	5	
1	Does the board have the appropriate composition (i.e. size) and committees corresponding to its oversight duties and the development of the company's strategy?						١ هل تعتبر تشكيلة مجلس الإدارة مناسبة (من حيث الحجم)؟ وهل تتناسب المهام الإشرافية للجان مع استراتيجية الشركة؟
2	Does it have the right mix of skills and experience to optimize performance?						٢ هل يوجد لدى المجلس المزيج المناسب من الخبرات والمهارات اللازمة لتحسين الأداء؟
3	Are roles and responsibilities of the board and individual directors clearly defined in the board charter?						٣ هل أدوار ومسؤوليات مجلس الإدارة وأعضاء مجلس الإدارة محددة بوضوح في اللائحة الداخلية لمجلس الإدارة؟
4	Are matters reserved for the board clearly defined?						٤ هل يوجد تحديد واضح لمسؤوليات مجلس الإدارة؟
5	Does the board work constructively as a team through collegial, productive working relationships that foster trust and respect?						٥ هل يعمل المجلس كفريق واحد بشكل بناء من خلال تعزيز سياسات العمل الجماعي والثقة والاحترام؟
6	Do the board discussions enhance the quality of management decision-making? Does the board engage constructively with management to stimulate performance?						٦ هل تعتبر المناقشات في المجلس إيجابية لعملية صنع القرار؟ هل يعمل المجلس بشكل بناء مع الإدارة التنفيذية لتحفيز أدائها؟
7	Is the company's orientation program effective in supplying useful information to new directors about the board and company?						٧ هل يعتبر البرنامج التعريفي للأعضاء الجدد فعالا في تقديم المعلومات عن مجلس الإدارة والشركة؟
8	Is the board given continuing programs to keep all directors up to date with the latest developments in the market						٨ هل يتم تقديم برامج تدريبية بشكل مستمر لمجلس الإدارة لجعل جميع أعضاء المجلس على علم لمواكبة التطورات

	industry and regulatory environment?						الخاصة بالسوق والمتطلبات الرقابية؟	
9	Whether the board consists of a good balance of independent directors?						هل يوجد عدد مناسب من الأعضاء المستقلين بمجلس الإدارة؟	٩
10	Have potential areas of conflicts that may impair independence of the directors been resolved?						هل تم حل جميع حالات تضارب المصالح المحتملة التي قد تؤثر على استقلالية الأعضاء؟	١٠
B. Board Operations		Rating					ب - عمليات مجلس الإدارة	
		التقييم	1	2	3	4	5	
1	Are board meetings held with appropriate frequency?						هل يتم عقد اجتماعات مجلس الإدارة بشكل منتظم مناسب؟	١
2	Is information on the agenda items provided well in advance of board meetings, with sufficient time for preparation?						هل يتم توفير المعلومات الكافية وبشكل مسبق عن بنود جدول الأعمال؟ وهل يتم توفيرها في وقت مبكر قبل اجتماعات مجلس الإدارة بما يكفي من الوقت للإعداد لها؟	٢
3	Is financial information adequately provided prior to board meetings?						هل يتم تقديم المعلومات المالية اللازمة قبل اجتماعات مجلس الإدارة؟	٣
4	Is information on subject matter adequately and sufficiently supplied for good decision-making, i.e. is the information presented in a concise manner and risk areas with relevant details for further analysis, allowing directors to understand and evaluate agenda items of the board meetings and to take effective decisions?						هل تعتبر المعلومات التي يتم توفيرها عن موضوع هام أو خطير كافية لتمكين العضوين اتخاذ القرار السليم؟ بمعنى، أن تكون المعلومات المقدمة موجزة، وتسلط الضوء على القضايا الرئيسية ومناطق المخاطر بما يمكن أعضاء مجلس الإدارة من فهم وتقييم بنود جدول أعمال اجتماعات المجلس واتخاذ قرارات فعالة بشأنها.	٤
5	Is there adequate time allocated between board discussions and management presentations?						هل الوقت المخصص لمناقشات المجلس والعروض التقديمية للإدارة التنفيذية كافٍ؟	٥
6	Are board meetings carried out in an open communication environment with meaningful participation and timely and constructive resolution of issues?						هل تتم اجتماعات مجلس الإدارة في بيئة صحية تمكنهم من التواصل المفتوح والمشاركة الفعالة في اتخاذ القرارات في الوقت المناسب؟	٦
7	Do directors have sufficient access to management or the board chairman?						هل لدى أعضاء المجلس إمكانية الوصول أو التواصل مع الإدارة التنفيذية ورئيس	٧

C. Board's Roles and Responsibilities		Rating التقييم					ج - دور ومسؤوليات مجلس الإدارة
		1	2	3	4	5	
1	Do you feel that the board understands its role, authority, and priorities?						١ هل تعتقد بأن المجلس يفهم دوره وسلطاته وأولوياته؟
2	Does the board understand the company's values, mission, and strategic and business plans to handle on key issues regarding the company?						٢ هل مجلس الإدارة على علم تام بقيم الشركة، ورسالتها واستراتيجيتها وخطط عملها بحيث يمكنه معالجته القضايا الرئيسية للشركة؟
3	How effective is the board in setting and reviewing the company's strategic plan?						٣ ما مدى فعالية المجلس في وضع ومراجعة الخطة الاستراتيجية للشركة؟
4	Has the board identified the key performance indicators, to monitor executive and senior management's performance?						٤ هل قام المجلس بتحديد مؤشرات الأداء الرئيسية التي تمكنه من قياس أداء الإدارة التنفيذية والمسؤولين فيها؟
5	Has the board adequately identified and managed risks that could have a significant impact on the company?						٥ هل يقوم المجلس برصد وإدارة المخاطر التي تؤثر على أعمال الشركة؟
6	Has the board established a succession plan that considers the appointment, training and fixing of the CEO's and senior management's remuneration?						٦ هل قام المجلس بوضع خطة إحلال لكبار المسؤولين في الشركة، والتي تشمل تعيين وتدريب الخلف للرئيس التنفيذي للشركة أو كبار موظفي الإدارة التنفيذية؟
7	Has the board considered its role in protecting shareholders' interests?						٧ هل قام المجلس بمراعاة دوره في المحافظة على مصالح المساهمين؟
8	How would you rate the board's deliberation of the company's investor relations program?						٨ كيف تقيم برنامج مجلس الإدارة الخاص بعلاقات الشركة مع المستثمرين؟
9	Has the board reviewed the company's system of internal control and considered its adequacy and integrity?						٩ هل قام مجلس الإدارة بمراجعة نظام الرقابة الداخلية في الشركة والنظر في مدى ملائمته وسلامته؟

D. Board Chairman's Roles and Responsibilities		Rating التقييم					د - دور ومسؤوليات رئيس مجلس الإدارة
		1	2	3	4	5	
1	Is the chairman building healthy boardroom dynamics and dealing effectively with dissent and working constructively towards consensus?						١ هل يعمل رئيس مجلس الإدارة على خلق بيئة للنقد والإدلاء بالآراء داخل مجلس الإدارة؟ هل يعمل رئيس مجلس الإدارة على تشجيع التباين في وجهات النظر حتى الوصول إلى توافق؟

2	Does the chairman oversee an effective decision-making process?					هل يشرف رئيس مجلس الإدارة على عملية فعالة لصنع القرار؟	٢
3	Does the chairman aim to ensure the board's workload is properly managed and, where appropriate, allocated to delegated committees with specific terms of reference approved by the board?					هل يسعى رئيس مجلس الإدارة إلى ضمان إدارة حجم العمل في داخل مجلس الإدارة بشكل سليم؟ هل تأكد رئيس مجلس الإدارة من الحصول على الموافقة المسبقة من قبل المجلس على تفويض المهام والمسؤوليات لبعض اللجان؟	٣

Over All Rating (circle as appropriate)

1= Weak

2= Needs Improvement

3= Adequate

4= Consistently good

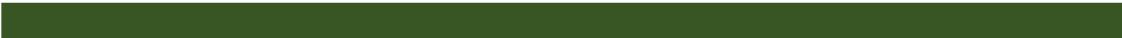
5= Strong

Comments if any

Chairman's Name : _____

Signature_____

Date_____



APPENDIX (3)

Bahrain National Holding Company BSC

Performance Evaluation Criteria for the Committees

<p>This form is to be completed based on the following ratings:</p> <p>1= Weak</p> <p>2= Needs Improvement</p> <p>3= Adequate</p> <p>4= Consistently good</p> <p>5= Strong</p>	<p>تتم تعبئة هذه الاستمارة وفقا للتقييمات التالية:</p> <p>١= ضعيف</p> <p>٢= يحتاج إلى تحسين</p> <p>٣= ملائم</p> <p>٤= جيد</p> <p>٥= قوي</p>
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Evaluation of Board Committees		Rating التقييم					تقييم لجان مجلس الإدارة
		1	2	3	4	5	
1	Does each committee have the right composition?						١ هل تتمتع اللجنة بتركيبه صحيحه من الأعضاء المستقلين وغير التنفيذيين
2	Is the committee providing useful recommendations in assisting the board for better decision-making, and does it consequently make board meetings more efficient and effective?						٢ هل تقوم اللجنة بتقديم توصيات تساعد مجلس الإدارة في عملية صنع القرار لجعل اجتماعات المجلس أكثر كفاءة وفاعلية؟
3	Do the members of the committees have sufficient, recent and relevant expertise in fulfilling their roles?						٣ هل يتمتع أعضاء اللجنة بالخبرات التي تساعد على أداء دورهم بشكل فعال؟
4	Are committee chairman properly discharging his responsibilities, deploying resources and expertise, and providing appropriate reporting and recommendations to the board?						٤ هل يقوم رئيس اللجنة بأداء مسؤولياته بشكل فعال؟ وهل يقوم بالاستخدام الأمثل للموارد والخبرات، وتقديم التقارير والتوصيات المناسبة إلى مجلس الإدارة؟
5	Whether the appointment of board and committee chairman based on appropriate criteria? Are we properly considering the responsibilities of the position, including the ability, experience and expected performance of the candidate?						٥ هل تم تعيين رئيس اللجنة وفق للمعايير المناسبة؟ هل تم الأخذ بالاعتبار مسؤوليات المنصب وقدرة وخبرة المرشح والأداء المتوقع منه؟
6	Is the quality of the board committee communications to the board assessed regularly?						٦ هل يتم تقييم جودة عملية الاتصال بين اللجنة والمجلس بشكل منتظم؟
7	Is there an assessment by the board of the quality of the minutes of the board committee's meetings?						٧ هل يقيم مجلس الإدارة جودة محاضر اجتماع اللجان؟
8	Is the board well informed on a sufficiently timely basis regarding the committee's deliberations?						٨ هل يتم إبلاغ مجلس الإدارة في الوقت المناسب بمداولات ونقاشات اللجنة؟

Evaluation of Board Committees		Rating التقييم					تقييم لجان مجلس الإدارة
		1	2	3	4	5	

9	The Committee has fulfilled its terms of reference and adhered to the requirements of the Code of Corporate Governance for the Kingdom of Bahrain within the period of review					هل قامت اللجنة بالوفاء باختصاصاتها والتزمت بمتطلبات قانون حوكمة الشركات لمملكة البحرين خلال فترة المراجعة.	٩
10	The Committee has reported issues and findings to the Board in a timely manner					هل ابلغت اللجنة المجلس عن القضايا و النتائج في الوقت المناسب	١٠
11	Do the committee members understands roles and responsibilities in the light of applicable statutes					هل تعرف أعضاء اللجنة الادوار والمسؤوليات في ضوء القوانين المعمول بها	١١
12	Takes strong constructive stand when necessary					اتخاذ موقف بناء عند الضرورة	١٢
13	Contributes in Strategy Formulation					المساهمة البناءة في صياغة استراتيجيات الشركة	١٣
14	Complies with company's policy for conflict of interest					التوافق مع سياسة الشركة فيما يتعلق بتضارب المصالح	١٤
15	Maintains sound communication with management and encouraging the participation of relevant members of senior management in its meetings					الحفاظ على التواصل السليم مع الإدارة وتشجيع مشاركة أعضاء الإدارة العليا في إجتماعاتها	١٥

Comments if any

Name of the Committee: _____

Committee Chairman's Name: _____

Signature _____

Date _____

This Section to be Completed by the Chairman of the Board/Nominating Committee

Over All Rating by the Chairman (circle as appropriate)

1= Weak

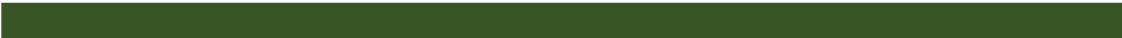
2= Needs Improvement
3= Adequate
4= Consistently good
5= Strong

Comments if any

Chairman's Name: _____

Signature _____

Date _____



APPENDIX (4)

Bahrain National Holding Company BSC

Performance Evaluation Criteria for the Board Director

<p>This form is to be completed based on the following ratings:</p> <p>1= Weak</p> <p>2= Needs Improvement</p> <p>3= Adequate</p> <p>4= Consistently good</p> <p>5= Strong</p>	<p>تتم تعبئة هذه الاستمارة وفقا للتقييمات التالية:</p> <p>١= ضعيف</p> <p>٢= يحتاج إلى تحسين</p> <p>٣= ملائم</p> <p>٤= جيد</p> <p>٥= قوي</p>
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Evaluation of Board Director		Rating التقييم					تقييم عضو مجلس الإدارة
		1	2	3	4	5	
1	Shares information or insights						١ يشارك بالمعلومات أو الأفكار.
2	Regular and timely attendance of board meetings						٢ يحضر اجتماعات مجلس الإدارة بانتظام وفي الوقت المحدد.
3	Participates actively in board activities, work constructively with peers						٣ يشارك بنشاط في أنشطة مجلس الإدارة، ويعمل بشكل بناء مع زملائه في المجلس.
4	Takes strong constructive stands at board or committee meetings, where necessary						٤ يتخذ مواقف بناءة وفعالة في اجتماعات مجلس الإدارة أو اللجان، عند الحاجة إلى ذلك.
5	Encourages feedback from board						٥ يتقبل ردود فعل وإبداء ملاحظات مجلس الإدارة.
6	Encourages meetings to focus on agenda						٦ يساهم بفعالية الاجتماعات ومناقشات جدول الأعمال.
7	Confronts conflicts and participates in finding a resolution						٧ يساهم بشكل فعال في التصدي للخلافات وإيجاد الحلول.
8	Provides logical honest options on issues presented						٨ يقدم رأيه بصدق في القضايا المطروحة.
9	Provides unique insight to issues presented – has skills						٩ يقدم آراء متميزة في القضايا المطروحة ولديه المهارات.
10	Prioritizes context of issues to be in line with objectives						١٠ قادر على ترتيب الأولويات والتركيز على تحقيق الأهداف.
11	Motivates others to get things done, is decisive and action-oriented						١١ يحفز الآخرين من أجل تحقيق الانجازات.
12	Provides realism and practical advice to board deliberations						١٢ يقدم المشورة البناءة في مناقشات ومداولات المجلس.
13	Applies analytical and conceptual skills to the decision-making process						١٣ يمتلك مهارات تحليلية تساهم في عملية صنع القرار.
14	Communicates persuasively in a clear and non-confrontational manner						١٤ يتجنب الاصطدام بالآخرين.

Evaluation of Board Director	Rating	تقييم عضو مجلس الإدارة
------------------------------	--------	------------------------

		التقييم					
		1	2	3	4	5	
15	Adds value to board meetings- attends meetings well prepared						يساهم بإضافات جديدة في إجتماعات مجلس الإدارة ويحضر الاجتماعات ويعد لها إعدادا جيدا.
16	Takes initiative to request for more information						يبادر في طلب المعلومات لاكتساب المعرفة.
17	Ensures that individual contribution irrelevant-up-to-date with developments						يحفز الأعضاء على المشاركة بفعالية في المواضيع المطروحة.
18	Focuses on accomplishing the objectives						يركز على تحقيق الأهداف.
19	Assesses and links short-term issues to the long term strategy						يعمل على ربط الأهداف باستراتيجيات الشركة.
20	Ensures performance of financial and human capital, keeping in mind the strategic plan when making investment decisions						يعمل على الاستغلال الأمثل للموارد البشرية والمالية لتخطيط الخطط الإستراتيجية للشركة.
21	Chairman is able to lead the board effectively – encouraging contribution from all members						رئيس المجلس قادر على قيادة المجلس بشكل فعال ويشجع على مشاركة جميع الأعضاء.
22	Chairman and CEO have a good working relationship						علاقة العمل بين رئيس مجلس الإدارة والرئيس التنفيذي جيدة.
23	Chairman and CEO understand the irrespective roles						يعي كل من رئيس مجلس الإدارة والرئيس التنفيذي المهام الموكلة له.

Comments if any

Name of the Director: _____

Signature _____

Date _____

This Section to be Completed by the Chairman of the Board/Nominating Committee

Over All Rating (circle as appropriate)

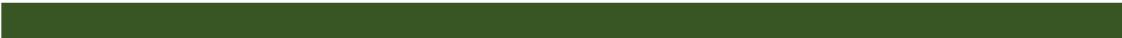
-
- 1= Weak**
2= Needs Improvement
3= Adequate
4= Consistently good
5= Strong

Comments if any

Chairman's Name: _____

Signature _____

Date _____



APPENDIX (5)

BAHRAIN NATIONAL HOLDING COMPANY BSC

Appointment Letter to the Board of Directors

MK/Legal/---/2017
19th May 2017

Private and Confidential

Mr /
P.O. Box
Manama
Kingdom of Bahrain

Dear Mr,

Director – Appointment Agreement

1. Appointment

- 1.1. The appointment by Bahrain National Holding BSC (the “Company”) in its Annual Ordinary General Meeting (AGM) held on *date* will be for a term of three financial years (*term*).
- 1.2. Notwithstanding the other provision of this letter, your appointment is subject to the provisions of Bahrain Commercial Companies Law No. 21 of the year 2001 and any subsequent amendment thereof, the Central Bank of Bahrain and Financial Institution Law of the year 2006, Central Bank of Bahrain Rulebook and the Company’s Articles of Association.

2. Duties and Responsibilities of Board Members

- 2.1. During the appointment, you and other directors are, jointly and severally, liable to the Company, shareholders and third parties for all acts of fraud, misappropriation and for every violation of the Law or the Company’s articles of association and for mismanagement.
- 2.2. You will be required to attend the Annual General Meeting of the Company, regular and emergency Board meetings, meetings of the committees of the Board to which you are appointed and any extraordinary meeting of the Company.
- 2.3. During your term as a Director, you will consult with the Chairman of the Board prior to accepting any other directorship of publicly quoted companies whether inside or outside the Kingdom of Bahrain.
(For the detailed list of your duties and responsibilities, please refer to the Board of Directors Charter available in the Director Manual)

3. Code of Conduct and Confidentiality

- 3.1. You must apply the highest standards of confidentiality and not to disclose to any other person or company (whether during your term as a Director or at any time after its termination), any confidential information concerning the Company or any group companies with which you come into contact by virtue

of your position as Director of the Company, without prior clearance from the Chairman of the Board.

- 3.2. You must not disclose, sell, use or in any way transfer either directly or indirectly, confidential information to any legal or natural person for any purpose, without prior clearance from the Chairman of the Board.
- 3.3. On termination of your appointment, you will deliver to the Company all papers, documents and other property of or related to the Company or any group company, which are in your possession, custody or power by virtue of your position as Director of the Company.

4. Time Commitment

- 4.1. In accordance with the Bahrain Commercial Companies Law, CBB's Rulebook and the Company's Corporate Governance Guidelines, the Board of Directors must convene at least four (4) meetings per annum. However, you are expected to devote as much time as needed to effectively discharge your duties and responsibilities as a Board Member and thus encouraged to attend all meetings, including attendance at board meetings, strategy meetings and shareholders meetings.
- 4.2. You must allocate suitable preparation time ahead of each meeting and shall be available to deal with matters pertaining to the Board on email as well as at other member or staff events, when required.
- 4.3. You must attend at least 75% of all Board meetings (and the committee meetings to which you may be appointed as a member) held during any twelve-month period in person to enable the Board to discharge its responsibilities effectively (Please refer to the table below).

Meetings Per Year	75% Requirement	Attendance
2	2	
3	3	
4	3	
5	4	
6	5	
7	6	

- 4.4. You may attend the meetings via tele/video conference or any other similar communication tool as long as the attendants are able to hear and communicate with each other. The participation of the Board members and the Committee members in these kinds of meetings shall be considered as personal attendance. Participation in board meetings by means of tele/video conferencing is regarded as attendance and may be recorded as such.
- 4.5. You may be required to step down if you are not deemed to be actively participating in Board Meetings.
- 4.6. The Company will confirm the board meetings date and timing in due course. You may expect to receive an agenda, together with relevant supporting documents, approximately one (1) week prior to each board and/or

committee meeting. However, from time to time, it may be necessary to hold such meetings at short notice.

5. Remuneration / Attendance Fees

- 5.1. You will be entitled to attendance fees, for being a member and attending the Board and its committees' meetings. The fee is recommended by the Nomination, Remuneration and Corporate Governance Committee (NRGC), adopted by the Board of Directors and preapproved by the Board of Directors. You will also be entitled to annual remuneration which shall be recommended by the NRGC/BOD and approved by annual Ordinary General Assembly Meeting (AGM).
- 5.2. The fees are subject to change from time to time based on the recommendation of the NRGC and approval of the AGM.

6. Expenses and Benefits

- 6.1. The Company shall, during your term as Director, reimburse you for all reasonable and properly documented out of pocket expenses necessarily incurred in carrying out your duties as a Director.
- 6.2. The Company shall, during your term as Director, provide health insurance coverage.

7. Insider Trading

- 7.1. During your term as a Director, you will comply (and will ensure that your spouse(s) or partner(s) and your minor children will comply) with all applicable Laws, rules and regulations including, but not limited, to the stock exchange/Bahrain Bourse regulation for the time being in force in relation to share dealings or other securities or any unpublished price sensitive information affecting the Company or the securities of any other Group's companies.

8. Fiduciary Duties

- 8.1. As a Director, you will be required to abide by the fiduciary duties (duty of loyalty) as a director of the Company.
- 8.2. Under the Bahrain Commercial Companies Law, Board Members are personally accountable to the Company and its shareholders for any breach of their fiduciary duty to the Company. Legal action for such breach can be brought by the Company or by its shareholders.

9. Conflict of Interest

- 9.1. Conflict of interest is deemed to exist when you as a Director is confronted with an issue in which you have a vested personal or pecuniary interest or an issue or circumstance that could render you unable to devote complete loyalty and singleness of purpose to the Company's sole interest.
- 9.2. The Company recognizes that you have other duties and business interest(s). Accordingly, you will be expected to immediately notify the Chairman of the Board and the Board Secretary for any conflict of interest(s), which may be arising due to your duties as Director of the Company and must abstain from

the deliberations and voting on the relevant matter in accordance with the Bahrain Commercial Companies Law.

- 9.3. Declaration of a conflict of interest must include all material facts in the case of a contract or transaction involving the Board member and the Company.

10. Access to Independent Advice

- 10.1. Occasions may arise when you consider that you need professional advice from independent advisors at the Company's expense to discharge your duties as a Director.

11. Situations in Which a Director's Position Becomes Vacant

- 11.1. In accordance with the Bahrain Commercial Companies Law, Bahrain Code of Corporate Governance and / or the Company's Articles of Association, a Board member's position will become vacant, if he or she:

- Resigns from his/her office by written notice.
- Is removed by the shareholder who appointed / nominated him / her by a simple notice in writing.
- Accepts appointment to any other office in the Company.
- Accepts appointment to an office in another company which is subject to conflict of interests.
- Fails to fulfil the conditions that Board Members must have legal capacity and should not have been convicted of theft, fraud, breach of trust, issuing fraudulent cheques, forgery, bankruptcy or violation of applicable monetary laws or of committing any of the offences provided for in the law;
- Fails to attend 75% of the Board meetings without a lawful excuse, subject to resolution by the Board of Directors.
- Discloses any of the Company's confidential information.

12. Annual Performance Review

- 12.1. You will be subject to an annual review process conducted by the Chairman of the Board, in coordination with the Board's Secretary.
- 12.2. If there are any matters regarding your role as a Director that cause any concern in the interim, such matters should be discussed with the Board Chairman.

13. Induction and Training requirements

- 13.1. You will receive a formal and tailored induction to ensure contribution to the Board from the beginning of your term as a Director.
- 13.2. As a Director, you are required to continually educate yourself as to the Company's business and corporate governance.

14. Directors and Officers Liability Insurance

- 14.1. The Company currently maintains Directors' and Officers' liability insurance policy covering all the Board of Directors and Top Management of the Company.

14.2. The Company will arrange for your name to be included in such cover with immediate effect.

15. Governing Law and Jurisdiction

15.1. This Agreement shall be construed in accordance with and governed by the laws of the Kingdom of Bahrain. All disputes which may arise between the parties of this Agreement shall be resolved between the parties amicably. However, failing such amicable settlement, the parties hereby submit their disputes to an arbitration in accordance with the arbitration law.

16. Director's Manual

Enclosed is a copy of the Company's Director's Manual, which aims to provide you with an overview of the Company's operations, business and key regulatory requirements. The following is the summary of the Director's Manual:

- Vision and Mission of The Group
- Organization Chart
- The Board of Director Charter
- The Board's Committees' Charter(S)
- High Level Controls Module of CBB Rulebook
- Code of Business and Ethical Conduct
- Key Person Guidelines
- Whistle Blowing Policy of BNH Group
- Board of Director and Senior Management Contact List
- Company's Memorandum and Articles of Association
- BNH Group Corporate Governance Guidelines
- Minutes of The Previous Board and Board Committee Meetings
- Audited Financial Statements for The Previous Year
- Authority Matrices

*For the purpose of this letter "**Group Company**" shall mean the Company, its holding company (if any), subsidiary or its holding/Subsidiary company from time to time as described by International Financial Reporting Standards and or the applicable Laws and Regulations.*

Please confirm your agreement to the above by signing and returning to us the enclosed duplicate of this letter.

Mohamed Kadhem
Secretary of the Board of Directors

Name of the Board Chairman
Chairman of the Board of Directors

.....
.....

I have read and agree to the above terms regarding my appointment as a Director/Committee member of Bahrain National Holding BSC.

Name:

Signature:

Date: