

# BCFC



# Corporate Governance Policies

*Version 1.2*

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***by Bahrain Commercial Facilities Company***

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## **1 Board Charter**

### **1.1 Purpose**

Without prejudice to the Company's Memorandum and Articles of Association or any amendment thereto and the Commercial Companies Law (21) of 2001; and pursuant to the Principles of the Corporate Governance Code issued by the Ministry of Industry and Commerce and on the directives and regulatory requirements of the Central Bank's High-Level Controls Module incorporating the Corporate Governance Principles referred to in addition to other rules and guidance of best practice; and with the objective of assisting the Board of Directors in fulfilling its corporate governance responsibilities, the Board decided to adopt this formal Board Charter, which specifies matters relating to the Board's composition, duties and responsibilities including other requirements incumbent upon the Board of Directors.

### **1.2 Compositions**

1. The Board shall be comprised of ten non-executive and executive members. Every shareholder who owns 10% or more of the capital shall be entitled to nominate a representative on the Board of Directors. The remaining Board members shall be elected by the General Meeting by a secret ballot at the relative majority of the valid votes for a three-year renewable term of office.
2. Experienced members who are neither the company's promoters nor shareholders may be nominated for the Board of Directors by the General Meeting subject to satisfying certain criteria included in Resolution No. (10) of 2002 of the Ministry of Industry and Commerce. The Board of Directors shall subsequently elect a Chairman and Vice-Chairman for a term of one year or more.
3. At least one-third of the Board of Directors shall be independent directors.
4. An executive director set out in Paragraph (1) shall refer to any director, who sits on board, without executive responsibilities in the Company, and represents a shareholder with a controlling interest in the Company, except for directors who are nominees of a governmental body are considered independent and non-executive.

### **1.3 Filling of Vacancies**

1. The office of a Director shall be vacated by death, resignation, retirement, termination or the nomination of a replacement director by a nominating shareholder. In case the office of a director becomes vacant, he shall be succeeded by the candidate who won the second number of votes at the most recent elections of the Board. In such other case, the Board shall elect, by a secret ballot, a replacement from amongst the candidates to be seconded by at least two Board members, until the next time when the General Meeting convenes.
2. If the vacant offices on the Board constitute one quarter of the original number of offices on the Board, the Board of Directors shall convene an Ordinary General Meeting within two months from the date of the latest vacancy to fill the vacancies. In all cases, a new Board member shall complete the term of office of his predecessor.



3. If the number of vacant offices exceeds one half of the Board members, the Board shall be deemed to have been dissolved and new Board elections shall be called as per the Commercial Companies Law.

#### **1.4 Conditions of Membership**

A member of the Board shall fulfil the following conditions:

1. He shall have the legal capacity to act;
2. He shall not have been previously convicted for an offence of bankruptcy by default or fraud nor for any crime affecting his honour or integrity nor for an offence by reason of his breach of the provisions of the Commercial Companies Law unless he has been reinstated;
3. He shall own in person a number of shares with a nominal value equivalent to at least BD 10,000;
4. He shall fulfill the Fit and Proper Criteria besides other regulatory requirements/prerequisites set by the Central Bank of Bahrain from time to time.
5. He shall deposit the qualifying shares referred to above in the Central Depository at Bahrain Bourse within 30 days from the date of his election or nomination. A Board member shall be barred from disposing of such shares in any manner during his term in office until the approval of the balance sheet of the last financial year during which the said member exercise his duties. If the qualifying shares are reduced for any reason during his term of office, he shall complete them within 30 days from the date of such shortfall;
6. The election/nomination as a director shall only be approved if he signs the Non-Executive Directors Appointment Agreement and confirms in writing the acceptance of the appointment, including a full disclosure of any business carried on directly or indirectly that might constitute competition with the Company and names of the firms and companies in which he carries on business.

#### **1.5 Termination of Membership**

A Director shall forfeit his membership of the Board if the director has:

1. Failed to meet the 75% attendance requirement for pre-scheduled, ordinary Board meetings without a justifiably legitimate excuse, decided based upon a resolution passed by the Board of Directors;
2. Resigned from the Board at any point in time by giving prior written notice to the Chairman;
3. Forfeited any of the conditions set forth in Paragraph (6) above;
4. Occupied any other salaried position in the company;
5. Abused his membership by working or participating without a special and substantiated permission from the General Meeting in any business that would compete with the Company and causes an actual damage thereto or discloses any of the Company's secrets;
6. Been disqualified pursuant to a decision made by the Central Bank substantiating evidence for breach of the Guidelines on Key Person's Dealing Policies;



## 1.6 Governance Roles

### 1. Committees of the Board

To fulfill its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee and a 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;

### 2. The Chairman

1.1 Shall not be (and his Deputy shall not be) the same person as the Chief Executive Officer; shall not be an executive director;

2.2 Is responsible for the leadership of the Board and for the efficient functioning of the Board;

2.3 Must take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made;

2.4 Represents the Company before the courts of law and other parties and has the authority to sign on its behalf. This authority can be delegated to the Vice Chairman or whoever is authorized by the Board of Directors for this purpose;

2.5 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;

### 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 Non-Executive Directors Appointment Agreement signed by all Directors;

### 4. Chief Executive Officer

Must have authority to act generally in the Company's name, representing its interests in concluding transactions on the Company's behalf and giving instructions to other senior managers and employees;

### 5. Board Secretary

Must have administrative responsibilities including arranging, recording and following up on the actions, decisions and meetings of the Board and of shareholder meetings in books 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;

## 1.7 Quorums

A quorum will be represented by the simple majority in the presence of the Chairman or the Vice Chairman;



## 1.8 Resolutions

1. Board resolutions shall be adopted by a majority vote of the directors present in person. Although normally decisions are reached by consensus, in the event of disagreement, decision on any matter is made by the majority with the Chairman of the meeting having a casting vote in the event of a tie. The Board member who remains opposed to a proposal even after the vote can ask for his name to be noted in the minutes;
2. A proposed resolution by circulation becomes effective when unanimity is reached. Otherwise, a meeting shall be called for and any resolution will be adopted as per the company's Articles of Association. The Chairman or the Dissenting Director shall have the right to call for an extra-ordinary meeting should he or they opine that the proposed resolution requires adequate deliberation. A director shall provide his vote within three working days and the approved resolution by circulation is to be ratified in the minutes of the next Board meeting;

## 1.9 Duties and Responsibilities

### 1.9.1 Roles of the Board

1. Owes fiduciary duties to the company and Directors are required to act at all times in the best interest of the company and exercise the best degree of skill depending on knowledge and experience;
2. Monitors financial outcomes and the integrity of reporting;
3. Reviews and approves business performance;
4. Reviews and approves monthly and quarterly business performance;
5. Reviews and approves the quarterly accounts of the Group for publication following the review and recommendation of the Audit Committee and the Management; the Executive Committee is empowered to do so in any calendar month where is no Board meeting;
6. Ensures the production of the Company's annual report in line with the legal and regulatory requirements;
7. Reviews and approves investment ceilings in the business activities of the Group;
8. Reviews the Company's business plans and the inherent level of risk;
9. Reviews and approves annual business / strategic plans objectives of the Group;
10. Retains full and effective control over the Company, sets strategic direction and monitors management in implementing Board plans and strategies;
11. Ensures that management develops, implements and oversees the effectiveness of comprehensive Know Your Customer standards;
12. Monitors operational performance of departments and management;
13. Reviews and approves major capital expenditure of the Group and in particular of National Motor Company, such as expansion of facilities in excess of BD 1.5 million per annum upon the recommendation of its respective Board;



14. Is updated on the progress of any capital expenditure projects related to the Group's business activities;
15. Reviews and approves the company's holding of treasury stocks following the review and recommendation of the Executive Committee;
16. Monitors compliance with the Company's policies, all relevant laws and regulations, Corporate Governance Code and codes of business practice and ethical standards;
17. Has the authority to conduct or authorise investigations into irregularities / improprieties in financial or legal matters;
18. Ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized;
19. Approves a Code of Conduct that applies to the Directors and another one to the Executive Management and staff that include "whistle-blowing" procedures;
20. Reviews and approves any changes to the organizational structure of the Company;
21. Reviews and makes recommendation to the General Meeting afterwards on the remuneration of the BCFC Board following the review and recommendation of the Remuneration and Nomination Committee;
22. Reviews and approves the remuneration of the NMC Board following the review and recommendation of the Remuneration and Nomination Committee;
23. Reviews and makes recommendation to the General Meeting afterwards on the nomination and appointment of Directors following the review and recommendation of the Remuneration and Nomination Committee;
24. Reviews and approves the nomination and appointment of directors to the subsidiaries following the review and recommendation of the Remuneration and Nomination Committee;
25. Reviews and decides on the nomination, appointment and remuneration of the Chief Executive Officer, the General Manager of National Motor Company and the Secretary to the Board, in relation to their terms and conditions of service and monitors their performances against established objectives following the review and recommendation of the Remuneration and Nomination Committee;
26. Recommends to the General Meeting the selection of the external auditor, the audit fee, and any other decision relating to resignation or dismissal of the external auditor following the review and recommendation of the Audit Committee;
27. Approves the appointment, replacement or dismissal of the Chief Internal Auditor upon the recommendation of the Audit Committee;
28. Reviews and approves, on a regular basis, senior management succession planning and development;
29. Adopts by-laws and issues formal letters of appointment prescribing the title, authorities, duties, accountabilities and internal reporting responsibilities of the Chief Executive Officer, General Manager of National Motor Company and Secretary to the Board with the advice of the Remuneration and Nomination Committee and in consultation with the CEO, to whom the other senior managers should normally report;
30. Oversees the process of disclosure and communications with internal and external stakeholders;



### **1.9.2 Investment Authorities**

1. Reviews and approves viable business opportunities and takeovers of similar or additional lines of business;
2. Reviews and approves acquisitions of motor franchises with total investments higher than BD 1 million for a single acquisition upon the recommendation of the Board of National Motor Company;
3. Reviews and approves additional lines of business that complement the existing setup of National Motor Company in excess of an investment of BD 500,000/- upon the recommendation of the NMC Board;
4. Given the Chairman of the BCFC Board jointly with the Executive Committee has the authority to approve individual investments up to BD 2 million in each single real estate project subject to the aggregate amount of the real estate portfolio not exceeding BD 25 million at any point in time, any investment proposals that increase the total portfolio higher than BD 25 million shall be approved by the BCFC Board;
5. In the event of disagreement between the Chairman of the Board and the Executive Committee members, the matter shall be referred to the BCFC Board for a final decision;
6. All approved investments proposals shall be advised to the BCFC Board at the subsequent meeting;

### **1.10 Policies and Credit Approval**

1. Reviews and approves the operational policies of the company following the review and recommendation of the Executive Committee;
2. Reviews, approves and discloses the Company's corporate governance guidelines policy following the review and recommendation of the Audit Committee;
3. Oversees "whistle blowing procedures and anti money laundering practices and policies in line with the company's approved policies;
4. Reviews and recommends to the General Meeting on the recommendation of the Remuneration and Nomination 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;
5. Reviews and approves redundancy policies of the company upon recommendation of the Remuneration and Nomination Committee;
6. Approves the policy for the disclosure of Directors and Executive Management's remuneration;
7. Reviews and approves credit requests in accordance with the risk management policy;
8. Reviews and approves credit requests above the Executive Committee's defined credit limits according to the Credit Limits Policy set by the Board of Directors from time to time;
9. Reviews and approves the Credit Limits Policy on the recommendation of the Executive Committee;
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;





### **1.11 Signing Authorities**

Reviews and approves the Company's cheque signing authorities;

### **1.12 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;

### **1.13 Donation**

1. Reviews and approves the Company's Donation Policy following the review and recommendation of the Executive Committee;
2. Reviews and approves donations above the Executive Committee's defined limits as per the Donation Policy;

### **1.14 Write-Offs**

1. Reviews and approves the write-off policy;
2. Reviews and approves all write-off cases as per the write off policy;

### **1.15 Authorities and Professional Advice**

1. No director shall have any authority to represent or hold himself out as representing the company so as to bind the company in any way except as expressly authorised by a resolution of the Board;
2. The Board may delegate any of its powers to any person or committee as it deems fit and such person or committee aforesaid shall in the exercise of the powers so delegated conform to any regulations which may be imposed by the Board;
3. Decision on seeking appropriate professional advice inside and outside of the Company is vested in the Board at the company's expense;

### **1.16 Communications with Management**

1. Encourages participation by management regarding matters the Board is considering and also by management members who by reason of responsibilities or succession, e.g. the CEO, should have exposure to the directors;
2. Ensures that non-executive directors should have free access to the company's management beyond that provided in board meetings through the Chairman of the Audit Committee or the CEO.

### **1.17 Remuneration**

1. Every director shall be entitled to receive gross remuneration as Director Sitting Fees, when approved by the Annual General Meeting per annum. The Directors' remuneration shall not exceed 10% of the net profits after deducting the statutory and general reserves and distributing dividends of no less than 5% of the Company's paid-up capital to the shareholders;





2. As per the Attendance Fees and Remuneration Policy, a director shall be also paid quarterly in arrears for his services during the term of his appointment attendance fees in consideration of attending one or more of the Board Committees;
3. The Board shall ensure disclosure of all remuneration and benefits received by the directors during the financial year in the company's annual reports and make it available at shareholders' meetings;
4. The nominating shareholder shall be entitled to the amounts due to be paid to its representative on the company's Board of Directors of any kind whatsoever. The Chairman of the Board shall pay such amounts to the treasury of the said shareholder within one week from their due date. The latter shall be empowered to fix the remuneration and salaries to be paid to such a representative;

### **1.18 Conflict of Interest**

1. Develops a corporate code of conduct that addresses conflicts of interest, particularly relating to directors and management;
2. Complies with the principles of the Corporate Governance Code regarding avoidance and disclosure of conflict of interest in matters being considered by the Board;
3. Directors are required to advise the entire Board of an actual or potential conflicts of interest which may exist as soon as they arise; and advise of any related party transactions other than personal and domestic dealings with the company that are undertaken on a normal commercial basis;
4. Absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject or (proposed) transaction where a conflict of interest exists;
5. Any 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 decision;
6. The Company shall not give any cash loans whatsoever to any of its directors nor may guarantee any loan contracted by a director with a third party.

### **1.19 Personal Accountability and Duty of Loyalty**

1. Directors as approved persons owe loyalty not to use property of the Company for their personal needs as though it was their own property, not to disclose confidential information or use it for their personal profit, not to take business opportunities for themselves that constitute direct and material conflicts of interest, not to compete in business with the Company; and to serve the Company's interest in any transaction with a company in which they have personal interests.
2. Directors appointed in a special purpose company or another operating company set up by BCFC Board of Directors shall not take any benefits from commercial projects or investments that are managed by that special purpose or operating company.



### **1.20 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.

### **1.21 Meetings**

1. To ensure full discharge of duties, meetings of the Board shall be convened at the summons of the Chairman or his Deputy (in case of absence or disability) or at the request of two members of the board. A seven day notice in writing shall be given for the convention of a Board meeting. In case where a notice is given less than seven days from the date of convening the meeting, the written consent of all the Board members shall be obtained for attending it;
2. The Board shall convene its meetings on a regular basis or as required from time to time, but with a minimum of 4 meetings per annum. The schedule of the Board's meetings along with the schedules of Board committees and subsidiaries' Boards shall be approved prior to the beginning of each financial year;
3. The Director is expected to ensure attendance of at least 75% of all Board meetings and the General Meeting in a given financial year and devote appropriate preparation time ahead of each meeting, unless prevented from so doing by legitimate reasons. Voting and attendance proxies for Board meetings are prohibited at all times. Participation in board meetings by means of video or telephone conferencing is regarded as attendance and may be recorded as such;
4. The Chairman of the Board shall invite shareholders to attend the General Meeting which takes place in the presence of the Chairman including other directors and the External Auditor, who shall be prepared to answer any questions from shareholders, representatives of the competent authorities or the media on the Board's and company's activities. The Board shall observe all regulatory requirements in relation to holding shareholder meeting;

### **1.22 Minutes**

1. The Board Secretary shall serve as Secretary to the Board of Bahrain Commercial Facilities Company BSC, the "Parent Company" including its committees and subsidiaries' Boards. The minutes of meetings should be distributed to the members within ten working days. Upon approval, the minutes of the Board meetings shall be circulated to the Board members;
2. 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 board information.



### **1.23 Evaluation and Updation**

1. The Board shall annually review its own composition and performance; performance of all Board committees vis-à-vis their respective charters, which shall include review of the self-evaluation undertaken and performance and contribution of each individual director as to his work, attendance, constructive involvement in discussions and decision making. The performance appraisal must be in the form of written forms or reports made at the last scheduled meeting of the calendar year;
2. In addition, the Board shall annually review, approve and amend, if it sees necessary, the Committees' and subsidiaries' Boards Charters at the first scheduled meeting of the new calendar year;
3. The Board may make recommendations for new Directors to replace long-standing members or those members whose contribution to the company or its committees is not adequate;
4. Make a recommendation upon a summary of the advice of the Remuneration and Nomination Committee and evaluation reports to the General Meeting for election/re-election of a director pertaining to the term to be served, biographical details, professional qualifications, other directorships and any other particulars;

### **1.24 Maintenance of Charter**

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

### **1.25 Other**

1. This Board Charter draws on best practice of corporate governance as prescribed in the Bahrain Corporate Governance Code principles and the CBB High-Level Control Module and without prejudice to the company's Articles and Memorandum of Association and the Commercial Companies Law for the time being in force;
2. A summary of the Board's roles and responsibilities shall be produced by the Board and incorporated in the Company's annual report;
3. The Charter of the Board shall be available on request and placed on the Company's website;
4. Matters of great urgency may be approved by circulation or electronic mail in line with the company's approved policies;
5. The Board should have unrestricted access to all Company information, documents and records.