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CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC is committed to the best practices of corporate governance in line with legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities. These guidelines cover the high level controls aspects of corporate governance of the Company. They highlight the areas with which the Company complies in relation to the corporate governance and disclosure requirements, particularly in compliance with the approved Corporate Governance Code Principles of the Ministry of Industry and Commerce and the updated regulatory requirements and in particular the High-Level Controls Module of the Central Bank of Bahrain. Additionally, the company in 2014, as part of its corporate governance strategy, has put extensive efforts to facilitate and enhance means of communication and decision-making processes at board and management level by adopting a green solution and easy-to-use electronic web-based portal, aimed at automating all board activities and providing Board Members with secure, real-time access to the Board's archive.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 15 to the Consolidated Financial Statements for the year ended 31 December 2014.

B. Board of Directors Information

Constituted of ten non-executive and executive members divided into independent and non-independent, the Board, who are appointed and elected for a three-year term and terminated as per the Company's Memorandum and Articles of Association and the Board of Directors Charter, represents a mix of high-caliber professional skills and expertise. An executive director refers 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. Any newly appointed/elected director undergoes a comprehensive, formal and tailored induction to ensure the director's fiduciary responsibilities are well understood and appreciated. In this regard, it is worth mentioning that training of the Board Members, as approved persons holding controlled functions in the company, has always been at the forefront of the responsibilities of the company, which ensures proper Continuous Professional Development ("CPD") Training is extended to all Directors as per the CBB Training and Competency Module. To fulfill some of its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee and a Remuneration and Nomination Committee, whose compositions consist of members with adequate professional background and experience. The Board annually reviews its own composition and Charter and conducts an evaluation of its performance, the performances and contributions of all Committees vis-à-vis their respective charters and the performance, effectiveness and contribution of each board member. The performance appraisals are in the form of written forms or reports made at the last scheduled meeting of the calendar year. The final performance appraisal report is recommended by the Remuneration and Nomination Committee and approved by the BCFC Board of Directors at the first meeting of the calendar year where the Company's year-end results are approved for publication.

The Board is responsible for the preparation and fair representation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors of Bahrain Commercial Facilities Company BSC exercise their individual and collective business judgment objectively, transparently and in good faith in what they reasonably believe to be in the best interest of the Company, its shareholders and stakeholders. The Board of Directors

oversees the process of disclosure and communications to internal and external stakeholders. The Board of Directors ensures that disclosure is fair, transparent, and comprehensive; and reflects the character of the Company and the nature and complexity of risks inherent in the business activities of the Company.

In compliance with the local statutory requirements, the Board of Directors oversees the exercise of corporate powers and ensures that the Company's business and affairs are well managed to meet its stated goals and objectives. Maintenance of the high standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards, receives considerable attention by the Board of Directors.

The types of material transactions that require the Board of Directors approval cover a wide area ranging from credit approvals, approval of policies, strategies, donations to signing and investment authorities.

The Company strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community). The Board has approved a Code of Conduct that applies to the Directors and another one dedicated for the Executive Management and staff that includes “whistle-blowing” procedures. It is in the best interest of the company and shareholders to bind all the concerned to the highest standards of professionalism and due diligence in discharging their duties. The codes include areas pertaining to conflict of interest, obligations of integrity and loyalty, confidentiality and the responsibilities of all those concerned to adhere to the best practices and the highest standards in ethical norms and values.

Furthermore, directors as approved persons abide by their fiduciary duties of care and 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.

In compliance with the regulatory requirements, below is the number of shares held by the Company’s directors, in their capacity as approved persons, and the connected persons as at 31st December 2014 as follows:

Directors *	Type of Shares	31 December 2014	31 December 2013
Abdulrahman Yusuf Fakhro	Ordinary	384,712	384,712
Abdulkarim Ahmed Bucheery	Ordinary	Nil	Nil
Khalid Mohammed Ali Mattar	Ordinary	1,254,891	1,254,891
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Sayed Abdughani Hamza Qarooni	Ordinary	1,529,910	1,529,910
Ali Abdulla Ahmadi	Ordinary	816,750	816,750
Abdulaziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Mohammed Ahmed Abdulla Al Khaja	Ordinary	Nil	Nil

** The Board of Directors did not trade in the shares of the Company during the financial year ended 31 December 2014.*

CORPORATE GOVERNANCE (Continued)

The Board of Directors meets at least four times in each financial year upon the summons of the Chairman of the Board or his Deputy (in case of absence or disability) or at least two of its members. A quorum shall be attained if one half of the members are present. In 2014, the Board of Directors convened five ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Directors *	19 Feb.	18 Mar.	22 Jun. ‹1›	22 Jul.	21 Oct.	23 Dec.	Total
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	6
Abdulkarim Ahmed Bucheery	By phone	✓	By phone	✓	✓	✓	6
Khalid Mohammed Ali Mattar	✓	✓	By phone	✓	✓	✓	6
Ebrahim Abdulla Buhindi	✓	✓	By phone	✓	✓	✓	6
Jamal Mohammed Jassim Hejres ‹2›	✓						1
Reyadh Yusuf Hasan Sater ‹3›		✓	✓	✓	✓	✓	5
Sayed Abdughani Hamza Qarooni	✓	✓	✓	✓	✓	✓	6
Ali Abdulla Ahmadi ‹4›	✓	✓	By phone	By phone	By phone	By phone	6
Abdulaziz Abdulla Al-Ahmed	✓	✓	✓	✓	✓	✓	6
Jamal Abdulla Al-Mutawa ‹5›	✓						1
Abdulla Mohamed Al Mahmood ‹6›		✓	✓	✓	✓	✓	5
Abdulrahman Yousif Al-Qasim ‹7›	✓						1
Mohammed Ahmed Abdulla Al Khaja ‹8›		✓	✓	‹9›	By phone	✓	4

1. *An unscheduled meeting of the Board held to consider and approve an investment proposal in 2014.*
2. *Ceased to be a Board member from March 2014.*
3. *Joined the Board in place of the outgoing nominee of BBK, Mr. Jamal Mohammed Hejres, effective on 18 March 2014.*
4. *Attended by phone till the end of the year due to legitimate reasons.*
5. *Ceased to be a Board member from March 2014.*
6. *Joined the Board in place of the outgoing nominee of SIO, Mr. Jamal Abdulla Al- Mutawa, effective on 18 March 2014.*
7. *Ceased to be a Board member from March 2014.*
8. *Joined the Board in place of the outgoing nominee of SIO, Mr. Abdulrahman Yousif Al-Qasim, effective on 18 March 2014.*
9. *Absent due to being abroad on a business trip arranged prior to his appointment.*

Additionally, where there is a potential for conflict of interest, or there is a need for impartiality in relation to a subject or proposed transaction where a conflict of interest exists, the Board shall form ad hoc Board sub-committees, comprising of a sufficient number of Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. Therefore, in order to avoid conflicts of interest, a Board Sub-Committee meeting was held to consider proposals for bonds in 2014. The meeting was attended as follows:

Board Sub-committee *(To consider proposals for bonds)*	14 May
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓
Sayed Abdulghani Hamza Qarooni	✓

C. Key Persons Dealing Policy

The Company has in place a Key Persons Dealing Policy to ensure that insiders are fully aware of the regulatory requirements regarding dealing with BCFC shares, with the objective of preventing abuse of inside information. A Key Person is defined as a person or a juristic person that possesses or has access to price-sensitive information, from time to time, by nature of their duties performed. Key persons are Board of Directors, senior management and other persons or third parties as decided by the Company's Board. The Group's Compliance Officer maintains at all times an updated Register of Key Persons and makes immediate notification to Bahrain Bourse of their dealings in the Company's shares.

D. Board of Directors Committees

1. Executive Committee

In accordance with Article (23) of the Company's Articles of Association and Article (8) Paragraph (8.1) of the Board of Directors Charter, the Executive Committee is delegated with a defined scope of duties and authorities in relation to Bahrain Credit, TRESCO and TISCO and to review and make recommendations to the whole Board on pre-defined matters as per the Executive Committee Charter.

The Committee is comprised of a minimum of three members, who are not members of the Board Audit Committee, appointed by the Board of Directors on an annual basis. At least one member shall be independent. In accordance with its charter, the Executive Committee has the role of reviewing reports and activities, taking decisions on issues within its defined authorities and recommending to the Board of Directors on other issues that are above its authorities, where applicable. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, company operational policies and practices, donations, signing and investment authorities.

To ensure full discharge of duties, the Executive Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. In 2014, the Executive Committee held seven meetings. The meetings were attended as follows:

Committee Member	21Jan.	18 Mar.	29 Apr.	14 May.	17Jun.	23 Sep.	25 Nov.	Total
Khalid Mohammed Ali Mattar, *Chairman*	✓	✓	‹3›	✓	✓	✓	✓	6
Abdulkarim Ahmed Bucheery, *Vice Chairman ‹1›*	✓	✓	✓	✓	✓	✓	By phone	7
Sayed Abdulghani Hamza Qarooni, *Member*	✓	✓	✓	✓	✓	✓	✓	7
Ebrahim Abdulla Buhindi, *Member ‹2›*		✓	✓	✓	✓	✓	✓	6

1. Elected as vice chairman effective from 18 March 2014.
2. Appointed as member effective from 18 March 2014.
3. Absent due to sickness.

CORPORATE GOVERNANCE (Continued)

2. Board Audit Committee

The Board Audit Committee assists the Board of Directors in overseeing the responsibilities for the financial reporting process, the system of internal control, the audit process, monitoring compliances with group's risk management policies and procedures and the process for monitoring compliance with laws and regulations and the Company's code of conduct. Consistent with this function, the Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels.

The Board Audit Committee consists of at least three members appointed by the Board of Directors on annual basis. During 2014, the Board of Directors took a decision to appoint an independent advisor from outside the Board, with no voting right, to add value and provide professional, independent advice and assist the Committee in effectively exercising its best judgment for the exclusive benefit of the Company. All the members are financially literate and independent of the management and free of any business or other relationships (including, without limitations, day to day involvement in the management of the business) which could interfere with the exercise of their independent judgment. The Committee directs the role and assesses the performance of the Internal Audit Department and the Risk Management, Compliance and Anti-Money Laundering Department and is responsible for developing and recommending to the Board corporate governance guidelines and reviewing those guidelines at least once a year in compliance with the regulatory requirements.

The Board Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility and has full access to all information required to discharge its functions.

The Committee shall hold a minimum of 4 meetings a year, with authority to convene additional meetings, as circumstances require. On each occasion, the Board Audit Committee will meet on a quarterly basis with the External Auditor in the presence of members of management of the parent company and its subsidiaries, internal auditors, Head of Risk Management and Compliance and Money Laundering Reporting Officer or others, as necessary. During 2014, the Board Audit Committee met 10 times. The meetings were attended as follows:

Committee Member	29 Jan.	17 Feb.	23 Feb.	25 Mar.	27 Apr.	21 Jul.	20 Oct.	27 Oct.	30 Nov.	23 Dec.	Total
Reyadh Yusuf Hasan Sater, *Chairman ‹1›*					✓	✓	✓	✓	✓	✓	6
Mohammed Ahmed Abdulla Al Khaja, *Vice Chairman ‹2›*				✓	✓	<7>	By phone	✓	✓	✓	6
Ali Abdulla Ahmadi, *Member ‹3›*	✓	✓	✓	✓	By phone	By phone	By phone	By phone	By phone	By phone	10
Rashed Ali Mohamed A.Rahim, *Invitee ‹4›*				✓	✓	✓	✓	✓	✓	✓	7
Ebrahim Abdulla Buhindi, *Chairman ‹5›*	✓	✓	✓								3
Jamal Abdulla Al-Mutawa, *Vice Chairman ‹6›*	✓	✓	✓								3

1. Appointed as member on 22 April 2014 and elected as Chairman effective from 27 April 2014.
2. Elected as chairman from 25 March 2014 to 26 April 2014. Then, elected as vice chairman effective from 27 April 2014.
3. Elected as vice chairman from 25 March 2014 to 26 April 2014. Then, attended by phone till the end of the year due to legitimate reasons.
4. Appointed as invitee, being an independent advisor from outside the Board, effective from 18 March 2014.
5. Quit as the chairman of the Committee and joined the Executive Committee effective from 18 March 2014.
6. Quit as the vice chairman of the Committee after being replaced by a new nominee of SIO effective from March 2014.
7. Absent due to being abroad on a business trip arranged prior to his appointment.

Additionally, the Chief Executive Officer and Head of Operations shall certify in writing to the Audit Committee and the Board as a whole the Company's interim and annual financial information / statements.

3. Remuneration and Nomination Committee

Comprised of at least three directors, appointed by the Board on an annual basis, the Remuneration and Nomination Committee provides advice and makes recommendations to the Board on matters related to the nomination and appointment of Directors, Directors to the Boards of the Company's subsidiaries; membership to all Committees of the Board, the Chief Executive Officer, the General Manager of National Motor Company W.L.L. and the Secretary to the Board.

The Committee reviews and makes recommendations to the Board on all matters of remuneration and compensation of Directors and the remuneration of the Chief Executive Officer, the General Manager of National Motor Company WLL and the Secretary to the Board, the bonus, share option, redundancy and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer, General Manager of National Motor Company WLL and Secretary to the Board. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The Committee shall meet as necessary to ensure full discharge of duties based upon a request of the Chairman, Vice-Chairman or the Chief Executive Officer. The Committee shall convene not less than two meetings each year. The Remuneration and Nomination Committee convened two meetings during 2014. The meetings were attended as follows:

Committee Member	12 Feb.	18 Dec.	Total
Abdulrahman Yusuf Fakhro, *Chairman*	✓	✓	2
Abdulaziz Abdulla Al-Ahmed, *Vice Chairman ‹1›*		✓	1
Abdulla Mohamed Al Mahmood, *Member ‹2›*		✓	1
Ebrahim Abdulla Buhindi, *Vice Chairman ‹3›*	✓		1
Abdulrahman Yousif Al-Qasim, *Member ‹4›*	✓		1

1.Appointed as member of the Committee effective from 18 March 2014 and elected as vice chairman on 18 December 2014.
2. Appointed as member of the Committee effective from 18 March 2014.
3.Quit as vice chairman of the Committee following his appointment to the Executive Committee effective from 18 March 2014.
4.Quit as member of the Committee after being replaced by a new nominee of SIO effective from March 2014.

CORPORATE GOVERNANCE (Continued)

E. Risk Management, Compliance and Anti-Money Laundering

Bahrain Commercial Facilities Company BSC is fully aware of its responsibilities in observing all regulatory provisions and the best international practices in relation to its functioning. It is committed to complying with the international best practices on risk management, compliance and anti-money laundering as reflected by the requirements of the Central Bank of Bahrain.

The Company has a Head of Risk Management and Compliance and Money Laundering Reporting Officer (MLRO). These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, the Head of Risk Management and Compliance and Money Laundering Reporting Officer reports directly to the Chief Executive Officer and Board Audit Committee and has full access to the Board of Directors.

The Company has in place a clear strategy and framework for both risk management and compliance to identify and monitor risks and put right controls on a regular basis. The Company also retains an approved Anti-Money Laundering Policy, which contains Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation. The Internal Audit Department and External Auditors regularly carry out an independent review of Anti Money Laundering controls for the attention of the Central Bank.

F. Management Committees:

1.The Assets and Liabilities Committee ("ALCO") shall be comprised of at least three members appointed by the Chief Executive Officer who will also designate a chairman. Head of Risk Management and Compliance and Money Laundering Reporting Officer shall attend ALCO meetings as a non-voting member. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset and liability management; (2) capital planning; (3) liquidity adequacy; and (4) contingency planning with respect to the foregoing. It is also mandated to fix and review the overall portfolio yield, periodically review the provisioning and write off policies, reviews and take appropriate action with regard to the CBB consultation papers, guidelines and rules and follow up on all matters reported in regulatory inspection reports, review and approve rates, administration charges, business terms, and acceptance criteria of existing and new loan products. ALCO shall meet at least once a month or more frequently as circumstances dictate. A resolution is deemed passed if more than half the members present at the meeting vote "for" such a resolution. The Secretary to the Board will take minutes of ALCO meetings. The Committee periodically reviews its own composition and Charter and conducts an evaluation of its performance and the performances of its members.

2.The Credit Committee is set up with the objective of overseeing all aspects of credit exposures so as to ensure that proper due diligence is established before sanctioning any credit exposure and that credit risk arising from a credit exposure is closely monitored throughout the tenor. To fulfill this objective, the Credit Committee is delegated with a defined scope of responsibilities and authorities. To ensure that the Credit Committee possesses the right skills and expertise to professionally discharge its responsibilities, membership to this Committee is not appointed based on seniority but exclusively based on the skills of the appointed members. The credit approval authorities of the Credit Committee are arranged into two tiers, each of which is delegated with a definite credit authority level. The members of Tier 1 and Tier 2 of the Credit Committee are appointed by the Executive Committee upon the recommendation of the Chief Executive Officer.

G. Remuneration Policy

a. Board Remuneration:

The Company has in place policies and guidelines for the attendance and sitting fees payable to all the Directors in consideration of attending one or more of Board and Committee meetings in a financial year. The Policy reflects the Company's commitment to best practices of corporate governance in line with the legal and regulatory requirements and is intended to remunerate its Board and Committee members fairly and responsibly. The Policy ensures that the remuneration of Board and Committee members are sufficient to attract, retain and motivate persons of the quality needed to run the Company successfully.

The Remuneration Policy of the Company applies to all the Boards of Directors of the Parent Company, its Committees, the Boards of its Subsidiaries and any other Committee of a subsidiary formed from time to time.

The structure and level of the compensation for the Board and Committees' Members are as follows:

- A fixed amount representing an annual remuneration fee approved by the Shareholders at the AGM; and
- Attendance fees payable to members attending different Board-related committees' meetings.

b. CEO and Management Remuneration:

The performance and remuneration of the CEO is reviewed by the Remuneration and Nomination Committee and approved by the Board. The performance and remuneration of the Management members is reviewed and approved by the CEO. Furthermore, the Board takes into consideration the following dimensions to remunerate the CEO:

1. *The bonus is discretionary and decided by the Board depending on the profitability of the Company, i.e. the bottom line not the top line.*
2. *Lending growth in each product.*
3. *Meeting all the funding requirement needed to ensure the growth of the Company.*
4. *Quality of loan portfolio and levels of non-performing loans.*
5. *Meeting agreed upon strategic objectives both financial objectives and non-financial objectives.*
6. *The financial performance of all the Group's subsidiaries.*

H. Policy on Related Party Transactions

The Company has in place policies approved by the Board for the approval of related party transactions. The Company's dealings with its shareholders are conducted on an arms-length basis in respect of borrowings received from them. If loans are extended to related parties, these are approved on the basis of authorities delegated by the Board of Directors to the CEO. If the loans exceed these authorities, then further approval from the Executive Committee or the Board is requested.

All loans to management members and staff of the company, are governed by the policies applicable to staff. These policies are reviewed by the Board regularly. The maximum interest-free loan advanced to a staff member is BD 5,000 regardless of his status.

CORPORATE GOVERNANCE (Continued)

I. Communication Strategy

The Company has a clear policy in relation to communication with its stakeholders, shareholders, and employees, customers, Government bodies, Regulator and society and has approved Corporate Communication Policy Guidelines. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit Committee Chairman, the Remuneration and Nomination Chairman, the Chairmen of subsidiaries' boards and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company. Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial corporate information is provided by the Company on all events that merit announcement, either on its website: www.bahraincredit.com.bh or through local newspapers or other means of communication. The financials and annual reports of the Company; the Charters of the Board and its Committees are made available on the Company's website. Internally, electronic mail and departmental portals are used for communicating with the Company's staff on general matters, and sharing information of common interest and concern. At board level, there is an easy-to-use electronic web-based portal that is aimed at automating all board works and providing Board Members with secure, real-time access to the Board's archive.