CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC is committed to 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, Commerce and Tourism and the updated regulatory requirements and in particular the High-Level Controls of the Central Bank of Bahrain.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 16 to the Consolidated Financial Statements for the year ended 31 December 2018.

B. Board of Directors Information

The Board is constituted of ten directors, divided into independent, non-executive and executive members. The members 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. The Board 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, while directors who are nominees of a governmental body are considered 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. In addition, all the Board Members are Members of the Institute of Directors, a United Kingdom-based professional institute, which provides membership privileges to each member like an online access library and other resources that will keep each member informed of and updated on recent Board and Corporate Governance trends. 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. The Board of Directors and Senior Management oversee and ensure that information and cyber security controls are periodically evaluated for adequacy.

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 highest

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 best practices and high 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 2018 as follows:

Directors *	Type of Shares	31 December 2018	31 December 2017
Abdulrahman Yusuf Fakhro	Ordinary	611,374*	566,374
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Khalid Mohammed Ali Mattar	Ordinary	1,254,891	1,254,891
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
Abdulaziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Sayed Abdughani Hamza Qarooni	Ordinary	1,529,910	1,529,910
Dr. Abdulrahman Ali Saif	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Yusuf Saleh Khalaf **	Ordinary	Nil	Nil
Mohammed Ahmed Abdulla Al Khaja	Ordinary	Nil	Nil

** The Board of Directors and their connected persons, with the exception of Mr. Abdulrahman Yusuf Fakhro, did not trade in the shares of the Company during the financial year ended 31st December 2018.*

*** Appointed as BCFC Board Member in place of Outgoing Board Member Mr. Abdulkarim Ahmed Bucheery effective from 1st April 2018.*

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 2018, the Board of Directors convened five ordinary meetings. The meetings were attended as follows:

Board of Directors	27 Feb.	27 Mar.	31 Jul.	30 Oct.	25 Dec.	Total
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	✓	✓	✓	5
Reyadh Yusuf Hasan Sater, Vice Chairman	✓	✓	✓	✓	✓	5
Khalid Mohammed Ali Mattar, Director	✓	✓	✓	✓	✓	5
Ebrahim Abdulla Buhindi, Director	✓	✓	✓	✓	✓	5
Abdulaziz Abdulla Al-Ahmed, Director	✓	✓	✓	✓	✓	5
Sayed Abdughani Hamza Qarooni, Director	✓	✓	✓	✓	✓	5
Dr. Abdulrahman Ali Saif, Director	✓	✓	✓	✓	✓	5
Abdulla Mohamed Al Mahmood, Director	✓	✓	✓	✓	✓	5
Mohammed Ahmed Abdulla Al Khaja, Director ‹1›	✓	✓	✓	✓		4
Yusuf Saleh Khalaf, Director ‹2›			✓	✓	✓	3

1. Ceased being a Board member effective from 2 December 2018.
2. Joined the Board in place of resigned Board Member Mr. Abulkarim Bucheery.

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 non-banking 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 a syndicated loan in 2018. The meeting was attended as follows:

Board Sub-committee *(To consider proposals for a syndicated loan)*	14 October
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓
Mohammed Ahmed Abdulla Al Khaja	By phone

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 natural 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 Head of Compliance 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 (19) of the Company's Articles of Association and Article (1.6) Paragraph (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 for a three-year term. 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, the Company's 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 2018, the Executive Committee held seven ordinary meetings. The meetings were attended as follows:

Committee Member	22 Jan.	27 Mar.	2 May.	22 May	26 Jun.	25 Sep.	27 Nov.	Total
Khalid Mohammed Ali Mattar, *Chairman*	✓	✓	✓	✓	✓	By phone	✓	7
Reyadh Yusuf Hasan Sater, *Vice Chairman*	✓	✓	✓	✓	✓	✓	✓	7
Sayed Abdulghani Hamza Qarooni, *Member*	✓	✓	✓	‹1›	✓	✓	✓	6
Mohammed Ahmed Abdulla Al Khaja, *Member ‹2›*	✓	✓	✓	✓	✓	✓	✓	7

1. An apology was received due to being on emergency sick leave.
2. Quit as member following his replacement from the Board of Directors effective from 2 December 2018.

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 the 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 sound practices at all levels.

CORPORATE GOVERNANCE (Continued)

The Board Audit Committee consists of at least three members appointed by the Board of Directors for a three-year term. 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 Departments and is responsible for developing and recommending to the Board corporate governance guidelines and the Company risk management framework 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 Compliance and Money Laundering Reporting Officer, Head of Risk Management or others, as necessary. During 2018, the Board Audit Committee held seven ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Committee Member	29 Jan.	26 Feb.	16 Apr. ‹1›	30 Apr.	30 Jul.	4 Oct.	29 Oct.	19 Dec.	Total
Ebrahim Abdulla Buhindi, *Chairman*	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulla Mohamed Al Mahmood, *Vice Chairman ‹2›*	✓	✓	✓	✓	✓	✓	✓	✓	8
Yusuf Saleh Khalaf, *Member ‹3›*				✓	✓	✓	✓	✓	5

1. An unscheduled meeting of the Committee held to address a regulatory requirement.
2. Elected as Vice Chairman of the Committee on 29 January 2018 following the departure of Outgoing Vice Chairman Mr. Abdulkarim Bucheery.
3. Appointed as member in place of Mr. Bucheery.

Additionally, the Chief Executive Officer and Group Head of Finance 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 for a three-year term, 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 W.L.L. and Secretary to the Board. Moreover, the Committee reviews and approves the salary and bonus payments for the CEO's Direct Reports. 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 2018. The meetings were attended as follows:

Committee Member	26 Feb.	24 Dec.	Total
Abdulrahman Yusuf Fakhro, *Chairman*	✓	✓	2
Abdulaziz Abdulla Al-Ahmed, *Vice Chairman*	✓	✓	2
Abdulla Mohamed Al Mahmood, *Member*	✓	✓	2

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 best international practices in relation to its functioning. It is committed to complying with best international 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 Compliance and Money Laundering Reporting Officer (MLRO) and a Head of Risk Management. 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 Compliance and Money Laundering Reporting Officer and the Head of Risk Management report directly to the Chief Executive Officer and Board Audit Committee and have 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 approved Compliance and Anti-Money Laundering Policies, 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 of Bahrain.

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. The Head of Compliance and Money Laundering Reporting Officer (MLRO) and the Head of Risk Management shall attend ALCO meetings as invitees. 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 every quarter 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 Management Secretary 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 within its limits or above 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 member. 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 BCFC Board 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 the 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 competencies needed to run the Company successfully.

The Remuneration Policy of the Company applies to all the Board 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 Committee 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 remuneration of the Chief Executive Officer's Direct Reports is reviewed and approved by the Remuneration and Nomination Committee. Furthermore, the Board takes into consideration the following dimensions to remunerate the Chief Executive Officer:

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. *The strength of internal controls and risk management practices.*
3. *Lending growth in each product.*
4. *Meeting all the funding requirments needed to ensure the growth of the Company.*
5. *Quality of loan portfolio and levels of non-performing loans.*
6. *Meeting agreed upon strategic objectives both financial and non-financial objectives.*

H. Related Party Policy

The Company has in place a policy which is set out to define the related parties, related transactions and how the Company discloses information related to loans and credit facilities. The policy applies to Bahrain Commercial Facilities Company's Directors, Key Management Personnel and Staff. It also covers within its scope credit facilities granted to, purchases made from, joint ventures and business agreements. Details of related party transactions are disclosed under Note 24 of the Consolidated Financial Statements for the year ended 31 December 2018.

I. Controllers

The Company shall obtain prior approval from the CBB in respect of any changes in the Company's controllers as defined by the CBB's guidelines.

J. 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 Committee 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.

K. Approved Persons Policy

The Company adheres to all the CBB requirements regarding the "approved persons' fit and proper conditions. Approval of the CBB is obtained prior to the appointment for controlled functions. Controlled functions are those of:

1. *Board Member*
2. *Chief Executive Officer or General Manager;*
3. *Head of Function;*
4. *Compliance Officer; and*
5. *Money Laundering Reporting Officer*

a. Employment of Relatives

The Company has in place a board approved policy on the employment of relatives of approved persons that are embedded in various policies. The Chief Executive Officer of the Company shall disclose to the Board of Directors on an annual basis, relatives of any approved persons occupying controlled functions within the Company, if any.