

## **Solidarity Bahrain B.S.C.**

### **Corporate Governance**

**For the year ended 31 December 2019**

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Solidarity Bahrain is committed to upholding the highest standards of corporate governance in line with international best practice, in order to maximise operational effectiveness, enhance shareholder value, and protect the interests of all stakeholders.

The Company has put in place a robust and comprehensive Corporate Governance Framework (the Framework) in full compliance with local governing laws and regulations. These comprise the Bahrain Commercial Companies Law and the Company's Articles of Association; the Bahrain Corporate Governance Code issued by the Ministry of Industry, Commerce & Tourism and embraced by the Central Bank of Bahrain (CBB); and the CBB Rulebook Volume 3, incorporating the Higher Controls Module.

The adoption and implementation of such regulations, along with the continuous review and adherence to the Company's Corporate Governance Framework, is the responsibility of the Board of Directors.

The Framework reflects Solidarity Bahrain's culture, policies, stakeholder relationships, and its corporate values of responsibility, accountability, fairness and transparency.

### **OWNERSHIP STRUCTURE**

Solidarity Group Holding B.S.C (Closed) owns 84.17 per cent of the Company's capital, and various individual and corporate shareholders own the remaining 15.83 per cent. Mr. Ashraf Bseisu (Vice-Chairman) and Mr. Sayed Jawad Mohammed (CEO) each hold 26,812 shares on behalf of and for the beneficial interest of the Parent Company.

### **THE BOARD**

The Board of the Company consists of seven (7) members. At least half of the Board should be Non-Executive directors and at least three (3) of those persons should be Independent Directors.

The Board of Directors is ultimately accountable and responsible for the management and performance of the Company. The Board's main roles are to provide entrepreneurial leadership, approve Company's strategic policies, plans and objectives and ensure that the necessary financial and other resources are made available to meet those objectives.

### **BOARD RESPONSIBILITIES**

The specific responsibilities of the Board include the following:

- Review and approve the Company's strategic plans, business plans and budgets, management structure and responsibilities, and systems and controls framework.
- Assess the adequacy of capital to support the business risks of the Company.
- Ensure compliance with the laws, rules, regulations, accounting and auditing principles, and internal policies governing the business of the Company.
- Maintain the integrity of the Company's relationship with its shareholders.

The Board is assisted by four sub-committees; the Audit & Risk Committee, the Corporate Governance Committee, the Executive Committee, and the Nomination & Remuneration Committee. The roles and responsibilities of these Committees have been defined by their Charters duly approved by the Board. The Board is also supported by the Management Investment Committee of the Parent Company.

## Solidarity Bahrain B.S.C.

### Corporate Governance (continued) For the year ended 31 December 2019

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#### BOARD MEETINGS AND ATTENDANCE POLICY

The Board is required to meet at least four times in a financial year.

#### Board Meetings and Attendance in 2019

(All Board meeting were convened in the Kingdom of Bahrain)

| Board Members  | 25 Feb | 12 May | 06 Aug | 12 Nov | 12 Dec |
|--|--------|--------|--------|--------|--------|
| Mr. Tawfeeq Shehab – Chairman<br>(Independent Non-Executive) | ✓      | ✓      | ✓      | ✓      | ✓      |
| Mr. Ashraf Bseisu – Vice Chairman<br>(Executive Director)    | ✓      | ✓      | ✓      | ✓      | ✓      |
| Dr. Nadhem Al Saleh<br>(Independent Non-Executive)           | ✓      | ✓      | ✓      | ✓      | ✓      |
| Mr. Sharif Ahmadi<br>(Independent Non-Executive)             | ✓      | ✓      | X      | ✓      | ✓      |
| Mr. Venkatesan M.<br>(Executive Director)                    | ✓      | ✓      | ✓      | ✓      | ✓      |
| Mr. Bashar Nass<br>(Non-Executive)                           | ✓      | ✓      | X      | ✓      | ✓      |
| Mr. Ali Isa Abdulrahim (Non-Executive)                       | ✓      | ✓      | ✓      | ✓      | ✓      |

#### BOARD COMMITTEES

##### Audit and Risk Committee

The Audit and Risk Committee shall consist of at least three members. The majority of the members, including the Chairman, must be Independent or Non-Executive Directors. The Committee must meet at least four times a year.

The Audit and Risk Committee is responsible for the review of the financial statements on a regular basis to ensure the Company has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditors. In addition, the Audit and Risk Committee is responsible for ensuring compliance with all relevant laws and regulations.

#### Audit and Risk Committee Meetings and Attendance in 2019

| Audit and Risk Committee Members                | 25 Feb | 12 May | 06 Aug | 12 Nov |
|---|--------|--------|--------|--------|
| Dr. Nadhem Al Saleh (Independent Non-Executive) | ✓      | ✓      | ✓      | ✓      |
| Tawfeeq Shehab (Independent Non-Executive)      | ✓      | ✓      | ✓      | ✓      |
| Bashar Nass (Non-Independent Non-Executive)     | ✓      | ✓      | X      | ✓      |

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### Corporate Governance (continued) For the year ended 31 December 2019

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#### Nomination & Remuneration Committee

The Nomination & Remuneration Committee shall consist of at least three members. The majority of the members of the committee including the Chairman shall be Independent and/or Non-Executive Directors.

The Nomination and Remuneration Committee is responsible to assist in proposing for the appointment of new/additional Directors to the Board. The Committee shall also assist the Board in the consideration of personnel and remuneration issues within the Company.

#### Nomination and Remuneration Committee Meetings and Attendance in 2019

| Nomination & Remuneration Committee         | 25<br>Feb | 19<br>Nov |
|---|-----------|-----------|
| Tawfeeq Shehab (Independent Non-Executive)  | ✓         | ✓         |
| Nadhem Al Saleh (Independent Non-Executive) | ✓         | ✓         |
| Sharif Ahmadi (Independent Non-Executive)   | ✓         | ✓         |
| Ashraf Bseisu (Executive Director)          | ✓         | ✓         |

#### Corporate Governance Committee

The Corporate Governance Committee shall consist of at least three members who must be Independent Directors. One of the members shall be a Shari'a Scholar who is a member of the Company's Shari'a Supervisory Board (SSB), for the purpose of leading the Committee on Shari'a-related governance issues. The Committee shall meet at least once a year.

The Corporate Governance Committee is responsible for the oversight and monitoring of the implementation of the Corporate Governance Guidelines by working together with Management, the Audit & Risk Committee, and the SSB. In addition, the Committee is responsible for providing to the Board reports and recommendations based on its findings during the normal course of the exercise of its functions.

#### Corporate Governance Committee Meetings and Attendance in 2019

| Corporate Governance Committee                                   | 08<br>Dec |
|--|-----------|
| Sharif Ahmadi (Independent Non-Executive)                        | ✓         |
| Dr. Nadhem Al Saleh (Independent Non-Executive)                  | ✓         |
| Shaikh Dr. Osama Bahar – Member of the Shari'a Supervisory Board | ✓         |

#### Executive Committee

The Executive Committee has the following responsibilities:

- Development and recommendation of strategic plans for consideration by the Board that reflect the long-term objectives and priorities established by the Board.
  - Implementation of the strategies and policies of the Company as determined by the Board.
  - Monitoring of the operational and financial results against plans and budgets.
  - Monitoring the quality and effectiveness of the investment process against objectives and guidelines.
  - Prioritizing allocation of capital, technical and human resources.
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## Solidarity Bahrain B.S.C.

### Corporate Governance (continued) For the year ended 31 December 2019

#### Executive Committee Meetings and Attendance in 2019

| Executive Committee      | 28 Jan | 25 Mar | 06 May | 30 Jun | 30 Sep | 03 Dec |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Ashraf Bseisu – Chairman | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      |
| Sharif Ahmadi            | X      | ✓      | ✓      | ✓      | ✓      | ✓      |
| Venkatesan Muniswamy     | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      |

#### Other Directorships of Board Members

| Board Members  | Number of Other Directorships in Bahrain |
|--|--|
| Tawfeeq Shehab – Chairman ( <i>Independent Non-Executive</i> )                                 | -  |
| Ashraf Bseisu – Vice Chairman ( <i>Executive Director</i> )                                    | 4  |
| Dr. Nadhem Al Saleh ( <i>Independent Non-Executive</i> )                                       | 1  |
| Sharif Ahmadi ( <i>Independent Non-Executive</i> )   | -  |
| Venkatesan M. ( <i>Executive Director</i> )  | 2  |
| Bashar Sameer Nass ( <i>Non-Independent Non-Executive</i> )                                    | 2  |
| Mr. Ali Isa Abdulrahim ( <i>Non-Independent Non-Executive</i> )<br>(Effective 4 February 2019) | 1  |

#### INDEPENDENCE OF DIRECTORS

As defined by the Bahrain Corporate Governance Code, and embraced by the CBB, an 'independent director' is a Director whom the Board has specifically determined to have no material relationship which could affect his independence of judgement, taking into account all known facts. As at 31 December 2019, three Directors of Solidarity Bahrain were classified as Independent Directors.

#### Director Orientation and Continuing Education

The Board has established an orientation process for new Directors. With the assistance of the Board Secretary, the Chairman of the Board shall review the Board's role and duties with the new Directors upon becoming members, including information from internal and external sources. From time to time throughout the year, the Board will invite members of Management to address particular subjects of interest to the Board, in order to assist members in remaining aware of current issues, trends and concerns.

#### Election of Directors

The Directors shall be appointed by the Shareholders at the Annual General Meeting from among candidates proposed by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. Appointments to the Board shall be made on the basis of merit and objective criteria. For each new Director's appointment, an assessment shall be made, in light of the Company's requirements, of the existing and necessary competences, and expertise and experience in the Board, in accordance with the principles of diversity.

#### COMPLIANCE & ANTI-MONEY LAUNDERING

The Head of Compliance and Risk Management & Money Laundering Reporting Officer (MLRO) – an independent role reporting directly to the Board Audit & Risk Committee and administratively to the Chief Executive Officer – is responsible for ensuring the Company's compliance with the rules, regulations and guidelines of the Central Bank of Bahrain and other regulatory authorities. These cover corporate governance and risk management; personal data protection; customer due diligence, beneficial ownership and know your customer (KYC); and anti-money laundering and combating the financing of terrorism.

## **MANAGEMENT**

The Chief Executive Officer (CEO) is delegated by the Board of Directors with responsibility for the day-to-day management of the Company. The CEO is supported by a well-qualified and experienced Executive Management team, and by two committees: Executive Management Committee and Risk Management Committee.

### **Executive Management Committee**

The Executive Management Committee members shall comprise the Chief Executive Officer and Heads of key functions. At all times, the Deputy General Manager - Operations, Assistant General Manager - Business Development, and Head of Finance will be members of the Committee. The Chairman of the Committee shall be the CEO, and the Committee may elect a deputy from its members to stand in when the CEO is absent. The Committee shall meet at least four times a year.

The Executive Management Committee is an advisory body. It acts as a forum for corporate governance implementation and review, operational monitoring and control, inter-company communication, idea generation and strategic planning.

### **Risk Management Committee**

The Risk Management Committee members shall consist of at least six members. The Chairman of the Committee shall be the CEO. The Committee shall meet at least four times a year.

The objective of the Risk Management Committee is to act as a body that assists Management in overseeing the development and implementation of a risk management framework, and to identify and measure risks associated with the various functions or activities of the Company.

## **REMUNERATION**

### **Directors' Remuneration**

Members of the Board of Directors are paid sitting fees for Board and Board Committee meetings. The annual remuneration is considered and approved by the Shareholders at the Annual General Meeting as per the relevant regulations of Ministry of Industry, Commerce and Tourism, and the Central Bank of Bahrain. The Directors' remuneration, if approved and paid, is accounted as an expense in the year of payment, as per applicable Accounting Standards and CBB regulations.

### **Employees' Remuneration**

The Company's Human Resource Policy is to attract, train, motivate and retain the human resources of the company. As per Company policy, salaries and benefits are reviewed periodically, and accordingly, suitable revisions are made. A Training Need Analysis is carried out annually, and accordingly, required training programmes are arranged for employees. Similarly, employees are encouraged to pursue insurance and professional courses to achieve their career development milestones. The Human Capital & Support department is responsible for implementing the HR policies and strategies under the support and guidance of Senior Management. Employees are provided with benefits such as medical and group life insurance cover, performance incentives, retirement benefits, and various awards and rewards based on their performance and excellence.

## **CODE OF CONDUCT**

### **Board of Directors**

The Code of Conduct forms part of the Board Charter. Directors will adhere to the Code in respect to their behaviour that outlines areas such as conflict of interest, confidentiality, and their scope of responsibilities. They will act with honesty, integrity and in good faith, and with due diligence and care, with a view to acting in the best interest of the Company and its stakeholders.

## **Solidarity Bahrain B.S.C.**

### **Corporate Governance (continued)** **For the year ended 31 December 2019**

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#### **Staff**

The Company has in place a Code of Conduct and Ethics which is applicable to all employees of the Company. The Code covers, amongst other things, conflicts of interest, disclosure, and confidentiality of information including the media.

#### **WHISTLE-BLOWING POLICY**

A whistle-blowing policy is in place as approved by the Board. It is designed to enable the airing of genuine concerns regarding suspected malpractice within Solidarity Bahrain, enhancing transparency, and safeguarding the Company's integrity.

#### **COMMUNICATIONS WITH STAKEHOLDERS**

Solidarity is committed to communicating with all stakeholders in a professional, transparent, accurate and timely manner. Main communications channels include the annual general meeting, annual reports and quarterly financial reports, corporate website, and regular announcements in the local media.

#### **AUDITORS**

Under the recommendation of the Board of Directors through the Audit & Risk Committee, the Shareholders re-appointed Deloitte and Touche Middle East - Bahrain as the external auditors. In addition, the Board re-appointed BDO Jawad Habib as internal auditors.

Under the authority given to the Board by the Shareholders, the remuneration details can be obtained on request from the Head of Compliance and Risk Management.

There are no non-Audit services provided by the external auditor for the Company in 2019.

Organisational chart  
For the year ended 31 December 2019

