

IBDAR CAPITAL

**Corporate Governance
Guidelines**

Table of Contents

1.0 THE BOARD	4
<i>Role and Responsibilities</i>	4
<i>Composition</i>	5
<i>Decision Making Process</i>	5
<i>Independence of Judgment</i>	5
<i>Representation of all Shareholders</i>	6
<i>Directors’ Access to Independent Advice</i>	6
<i>Directors’ Communication with Management</i>	6
<i>Committees of the Board</i>	6
<i>Evaluation of the Board and Each Committee</i>	7
<i>Annual Board Review and Certification</i>	7
2.0 APPROVED PERSON LOYALTY	7
<i>Personal Accountability</i>	7
<i>Avoidance of Conflicts of Interest</i>	7
<i>Disclosure of Conflicts of Interest</i>	8
<i>Disclosure of Conflicts of Interest to Shareholders</i>	8
3.0 AUDIT COMMITTEE AND FINANCIAL STATEMENTS CERTIFICATION	8
4.0 APPOINTMENT, TRAINING AND EVALUATION OF THE BOARD.....	9
5.0 REMUNERATION OF APPROVED PERSONS	9
6.0 MANAGEMENT STRUCTURE	9
7.0 COMMUNICATION BETWEEN BOARD AND SHAREHOLDERS.....	9
8.0 CORPORATE GOVERNANCE DISCLOSURE.....	9
9.0 ISLAMIC INVESTMENT FIRM LICENSEES.....	9

DISCLAIMER: These Corporate Governance Guidelines reflect some of the key aspects of Corporate Governance requirements as introduced by the CBB in its High-Level Controls Module, volume 4 of the CBB Rulebook. The company’s internal manuals and charters covers all other applicable governance related requirements.

1.0 The Board

Principle

Ibdar must be headed by an effective, collegial and informed Board of Directors (‘the Board’).

Role and Responsibilities

All directors must understand the Board’s role and responsibilities under the Commercial Companies Law and any other laws or regulations that may govern their responsibilities from time to time. In particular:

- (a) The Board’s role as distinct from the role of the shareholders (who elect the Board and whose interests the Board serves) and the role of officers (whom the Board appoints and oversees); and
- (b) The Board’s fiduciary duties of care and loyalty to Ibdar and its shareholders.

The Board’s role and responsibilities include but are not limited to:

- (a) Approving and reviewing at least annually the overall business performance and strategy for Ibdar;
- (b) Reviewing regularly the implementation of the strategy and operational performance;
- (c) Causing financial statements to be prepared which accurately disclose the investment firm licensee’s financial position;
- (d) Monitoring management performance;
- (e) Reviewing regularly the level of risk;
- (f) Approving and reviewing at least annually systems and controls framework (including policies and procedures);
- (g) Convening and preparing the agenda for shareholder meetings;
- (h) Monitoring conflicts of interest and preventing abusive related party transactions;
- (i) Assuring equitable treatment of shareholders including minority shareholders; and
- (j) Setting out clearly and reviewing on a regular basis who has authority to enter Ibdar into contractual obligations.

The directors are responsible both individually and collectively for performing these responsibilities and must have sufficient expertise as a Board to understand the important issues relating to operation and control of Ibdar.

Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.

Composition

The Memorandum and Articles of Association of Ibdar sets out procedures for the appointment and removal of directors.

the Board of Ibdar periodically assesses its composition and size and, where appropriate, reconstitute itself and its committees by selecting new directors to replace long-standing members or those members whose contributions to the licensee or its committees is not adequate.

A Board member may have a maximum of two Directorships of financial institutions inside Bahrain. However, two Directorships of investment firm licensees would not be permitted by CBB. Ibdar may approach the CBB for exemption from this limit where the Directorships concern financial institutions within the same group.

The appointment of Board members is conditional on the approval of the CBB

Decision Making Process

The Board must be collegial and deliberative, to gain the benefit of each individual director’s judgment and experience.

The Board must meet frequently but in no event less than four times a year. All directors must attend the meetings whenever possible and the directors must maintain informal communication between meetings.

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

The Board must maintain adequate records of its meetings, such that key decisions and how they are arrived at can be traced.

Independence of Judgment

The Board must ensure that it has sufficient non-executive and independent non-executive directors (in addition to its Chairman), in order to provide sufficient independent scrutiny of management.

Every director must bring independent judgment to bear in decision-making. No individual or group of directors must dominate the Board’s decision-making and no one individual should have unfettered powers of decision.

Executive directors must provide the Board with all relevant business and financial information within their cognizance, and must recognize that their role as a director is different from their role as an officer.

Non-executive directors should be fully independent of management and should constructively scrutinize and challenge management including the management performance of executive directors.

Representation of all Shareholders

Each director must consider himself as representing all shareholders and must act accordingly.

Directors’ Access to Independent Advice

The Board must ensure that individual directors have access to independent legal or other professional advice.

Individual directors must also have access to Ibdar’s corporate secretary, who must have responsibility for reporting to the Board on Board procedures. Both the appointment and removal of the corporate secretary must be a matter for the Board as a whole, not for the CEO or any other officer.

Directors’ Communication with Management

The Board must encourage participation by management regarding matters the Board is considering.

Committees of the Board

The Board must create specialized committees when and as such committees are needed. In addition to the Audit Committee, these may include an Executive Committee to review and make recommendations to the whole Board on company actions, or a Risk Committee to identify and minimize specific risks of Ibdar.

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

Committees must act only within their mandates and therefore the Board must not allow any committee to dominate or effectively replace the whole Board in its decision-making responsibility.

Evaluation of the Board and Each Committee

At least annually the Board must conduct an evaluation of its performance and the performance of each committee and each individual director.

The evaluation process must include:

- (a) Assessing how the Board operates,
- (b) Evaluating the performance of each committee in light of its specific purposes and responsibilities, which shall include review of the self-evaluations undertaken by each committee;
- (c) Reviewing each director's work, his attendance at Board and committee meetings, and his constructive involvement in discussions and decision-making; and
- (d) Reviewing the Board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the Board.

Annual Board Review and Certification

The Board must assess and document each year whether the internal corporate governance processes that it has implemented have successfully achieved their objectives, and consequently whether the Board has fulfilled its responsibilities for directing and monitoring the overall conduct of Ibdar's affairs

2.0 Approved Person Loyalty

Principle

The approved persons must have full loyalty to Ibdar.

Personal Accountability

The Board and its members must act with honesty, integrity, due skill and care, and in the best interests of Ibdar, its shareholders and clients.

Each member of the board must understand that under the Company Law he/she is personally accountable to the investment firm licensee and the shareholders.

Avoidance of Conflicts of Interest

Investment firm licensees must maintain an organizational structure that minimizes the risk of conflicts of interest arising

Each approved person must make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with Ibdar.

Board members must absent themselves from any discussion or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject, transaction or proposed transaction where there is a potential conflict of interest.

Disclosure of Conflicts of Interest

Each approved person must inform the entire Board of conflicts of interest as they arise. Board members must abstain from voting on the matter in accordance with the relevant provisions of the Company Law. This disclosure must include all material facts in the case of a contract or transaction involving the approved person. The approved persons must understand that any approval of a 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.

Board members must declare annually in writing all of their interests (and those of their family) in other enterprises or activities (whether as a Director, shareholder, senior executive or other form of participation) to the Board (or appropriate Board sub-Committee).

The chief executive/general manager of Ibdar must disclose to the board of directors on an annual basis those individuals who are occupying controlled functions and who are relatives of any approved persons within Ibdar.

Disclosure of Conflicts of Interest to Shareholders

Ibdar must disclose to its shareholders in the Annual Report any abstention from voting motivated by a conflict of interest and must disclose to its shareholders any authorization of a conflict of interest contract or transaction in accordance with the Company Law.

3.0 Audit Committee and Financial Statements Certification

Principle

The Board must have rigorous controls for financial audit and reporting, internal control, and compliance with law.

4.0 Appointment, Training and Evaluation of the Board

Principle

Ibdar must have rigorous procedures for appointment, training and evaluation of the Board.

5.0 Remuneration of Approved Persons

Principle

The investment firm licensee must remunerate approved persons fairly and responsibly.

6.0 Management Structure

Principle

The Board must establish a clear and efficient management structure.

7.0 Communication between Board and Shareholders

Principle

Ibdar must communicate with shareholders, encourage their participation, and respect their rights.

8.0 Corporate Governance Disclosure

Principle

Ibdar must disclose its corporate governance

9.0 Islamic Investment Firm Licensees

Principle:

Ibdar must follow the principles of Islamic Shari’a