



CORPORATE GOVERNANCE GUIDELINES

Contents

Introduction	2
The Board	2
1. Roles and Responsibilities	2
2. Composition	4
3. Decision-Making Process.....	4
4. Independence of Judgment	6
5. Representation of all Shareholders.....	6
6. Directors' Access to Independent Advice	6
7. Directors' Communication with Management	6
8. Committees of the Board	7
9. Audit Committee	7
10. Annual Board Review.....	7
Approved Persons Loyalty and Disclosure of Conflicts of Interest	8
Remuneration of Approved Persons	9
Management Structure	9
Internal Audit	10
Compliance	11
Communication between Board and Shareholders	11
Direct Shareholder Communication	12
Controllers.....	12
Governance and Disclosure per Shariah Principles	12

Introduction

1. These Corporate Governance Guidelines (the “Guidelines”) are being issued pursuant to Chapter 8 “Corporate Governance Disclosure” of the High-Level Controls Module (“HC Module”) of the Central Bank of Bahrain (“CBB”) Rulebook volume 4, according to which all investment business licensees are directed to adopt a written corporate governance guidelines covering the matters stated in the HC Module and other corporate governance matters deemed appropriate by the Board of Directors (the “Board”) of Tharawat Investment House B.S.C. (c) (the “Firm”) under the Commercial Companies Law (“CCL”) and CBB requirements.
2. The Firm is also committed to upholding the highest standards of corporate governance in conducting its business that:
 - a. promote corporate fairness, transparency and accountability;
 - b. promote a high degree of integrity, ethical standards and professional conduct;
 - c. promote full compliance with all applicable laws, regulations, and codes of best practice; and
 - d. promote a balance between risks undertaken and returns expected taking into consideration the interest of all the stakeholders.
3. This Guidelines shall be subject to the Firm’s Memorandum and Articles of Association, and in the event of any conflict between these Guidelines and the Firm’s Memorandum and Articles of Association, the terms of the Memorandum and Articles of Association shall prevail.
4. These Guidelines is subject to review and amendment from time to time to reflect changes and updates from the CBB.

The Board

1. Roles and Responsibilities

1.1 The Firm shall be headed by an effective, collegial and informed Board. All Directors shall understand the Board’s role and responsibilities under the CCL and any other laws or regulations that may govern their responsibilities from time to time. In particular:

- a. The Board’s role, 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 the Firm and the shareholders.

1.2 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 the Firm;
- b. Reviewing regularly the implementation of the strategy and operational performance;
- c. Causing financial statements to be prepared which accurately disclose the Firm’s financial position;
- d. Monitoring management performance;
- e. Reviewing regularly the level of various risks faced by the Firm;

- f. Approving and reviewing at least annually systems and controls framework (including policies and procedures);
- g. Convening and preparing the agenda for shareholders' 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 the Firm into contractual obligations.

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

1.4 When a new Director is inducted, the Chairman of the Board, or the Firm's legal counsel or Compliance Officer, or any other individual delegated by the Chairman of the Board, shall review the Board's role and duties with that person, particularly covering legal and regulatory requirements.

1.5 The Board shall address the Firm's current and future aspirations with respect to its position in the market place, its size, products, value and other key aspirations that would be considered important by investors. Furthermore, the Board shall demonstrate that it is able to identify proactively and understand the significant risks that the Firm faces in achieving its business objectives.

1.6 In assessing the management framework, the Board shall have effective policies and processes in place for:

- a. Ensuring a formal and transparent Board nomination process;
- b. Appointing senior managers, and ensuring that they have the necessary integrity, technical and managerial competence, and experience;
- c. Overseeing succession planning, and minimizing undue reliance on key individuals;
- d. Reviewing key senior management and Board remuneration packages and ensuring such packages are consistent with the corporate values and strategy of the Firm and encourage prudent risk taking;
- e. Monitoring and evaluating management's performance in implementing agreed strategy and business plans, and ensuring appropriate resources are available; and
- f. Approving budgets and reviewing performance against those budgets.

1.7 In assessing the systems and controls framework, the Board shall be able to demonstrate that the Firm's operations, individually and collectively:

- a. Are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Firm's activities;
- b. Are supported by an appropriate control environment;
- c. The risk management and financial reporting functions shall be independent of business lines and shall be run by individuals not involved with the day-to-day running of the various business areas; and
- d. Make effective use of the work of Internal and External Auditors.

2. Composition

2.1 The Firm shall be managed by a Board comprising of five members as a minimum and shall be appointed for a period of not more than three years which may be renewed.

2.2 The Firm shall have a written appointment agreement with each Director which recites the Director's powers and duties and other matters relating to his/her appointment including his/her term, the time commitment envisaged, the committee assignment if any, his/her remuneration and expense reimbursement entitlement, and his/her access to independent professional advice when that is needed.

2.3 The Board may appoint a replacement Director to fill a vacant position on the Board. The appointment shall be placed at the first ordinary general assembly for approval or to appoint another person.

2.4 The Board shall ensure that, collectively, it has sufficient expertise to understand the important issues relating to the operation and control of the Firm. There shall also be agreed upon procedures by the Board to take independent advice, if necessary, at the Firm's expense. The Board members shall undertake relevant training on a regular basis to help them fulfill their responsibilities as Directors.

2.5 To fulfill its responsibilities, the Board shall periodically assess 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 Firm or its committees are not adequate.

2.6 A Board member may have a maximum of two directorships of financial institutions inside Bahrain. However, two directorships of firms within the same category of firms are not permitted by the CBB. The Firm may approach the CBB for exemption from this limit where the directorships concern financial institutions within the same group.

3. Decision-Making Process

3.1 Collegial Board

The Board shall be collegial and deliberative, to gain the benefit of each individual Director's judgment and experience. The Chairman shall take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made.

3.2 Number of Board meetings

The Board shall meet frequently but in no event less than four times a year. All Directors shall attend the meetings whenever possible and the Directors shall maintain informal communication between meetings. Board meetings might be held via other means of written and visual communications, such as video, telephone or by circulation.

3.3 Minimum attendance of meetings

Individual Board members shall 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 shall be prohibited at all times.

The absence of Board members at Board and committee meetings shall be noted in the meeting minutes. In addition, Board attendance percentage shall be reported during any general assembly meeting when Board members stand for re-election.

In the event that a Board member has not attended at least 75% of Board meetings in any given financial year, the Firm shall notify the CBB indicating which member has failed to satisfy this requirement, his/her level of attendance and any mitigating circumstances affecting his/her non-attendance.

3.4 Location of the meetings

At least half the Board meetings in any twelve-month period shall be held in the Kingdom of Bahrain.

3.5 Information and records of the meetings

The Chairman shall 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 must receive the same Board information. Directors understand that they have a legal duty to inform themselves and they shall ensure that they receive adequate and timely information and shall study it carefully.

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

3.6 Induction and training for Directors

The Chairman of the Board shall ensure that each new Director receives a formal and tailored induction to ensure his/her contribution to the Board from the beginning of his/her term. The induction shall include meetings with senior management, visits to Firm facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, its Internal and External Auditors and legal counsel.

All continuing Directors shall be invited to attend orientation meetings and all Directors shall continually educate themselves as to the Firm's business and corporate governance.

Management, in consultation with the Chairman of the Board, should hold programs and presentations to Directors with respect to the Firm's business and industry, which may include periodic attendance at conferences and management meetings.

4. Independence of Judgment

4.1 Every Director shall bring independent judgment to bear in decision making. No individual or group of Directors shall dominate the Board's decision-making and no one individual should have unfettered powers of decision.

4.2 Executive Directors shall provide the Board with all relevant business and financial information within their cognizance, and shall recognise that their role as a Director is different from their role as an officer.

4.3 Non-executive Directors shall be fully independent of management and shall constructively scrutinise and challenge management including the management performance of executive Directors.

5. Representation of all Shareholders

5.1 Each Director shall consider himself/herself as representing all shareholders and shall act accordingly. The Board shall avoid having representatives of specific groups or interests within its membership and shall not allow itself to become a battleground of vested interests.

6. Directors' Access to Independent Advice

6.1 The Board shall ensure that individual Directors have access to independent legal or other professional advice at Firm's expense whenever they judge this necessary to discharge their responsibilities as Directors and this shall be in accordance with the Firm's policy approved by the Board.

6.2 Individual Directors shall also have access to the Firm's corporate secretary, who shall have responsibility for reporting to the Board on Board procedures. Both the appointment and removal of the corporate secretary shall be a matter for the Board as a whole, not for the Chief Executive Officer ("CEO") or any other officer.

6.3 Whenever a Director has serious concerns which cannot be resolved concerning the running of the Firm or a proposed action, he/she shall consider seeking independent advice and shall ensure that the concerns are recorded in the Board minutes and that any dissent from a Board action is noted or delivered in writing. Upon resignation, a non-executive Director shall provide a written statement to the Chairman, for circulation to the Board, if he has any concerns.

7. Directors' Communication with Management

7.1 The Board shall encourage participation by management regarding matters the Board is considering, and also by management members who by reason of responsibilities or succession, the CEO believes shall have exposure to the Directors.

7.2 Non-executive Directors shall have free access to the Firm's management beyond that provided in Board meetings. Such access shall be through the Chairman of the Audit Committee or CEO. The Board shall make this policy known to management to alleviate any management concerns about a Director's authority in this regard.

8. Committees of the Board

8.1 The Board shall create specialised committees when and as such committees are needed. These may include, an Audit Committee and/or an Executive Committee, to review and make recommendations to the Board on the Firm's actions, or a Risk Committee to identify and minimise specific risks of the Firm's business.

8.2 The Board or a committee thereof 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.

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

9. Audit Committee

9.1 The Board shall establish an Audit Committee that shall:

- a. Review the Firm's accounting and financial practices;
- b. Review the integrity of the Firm's financial and internal controls and financial statements;
- c. Review the Firm's compliance with legal requirements;
- d. Recommend the appointment, compensation and oversight of the Firm's External auditor; and
- e. Recommend the appointment of the Internal Auditor.

9.2 The Board or Audit Committee shall ensure that the external audit firm and its partners are truly independent of the Firm and have no financial or other relationship therewith. Audit findings shall be used as an independent check on the information received from management about the Firm's operations and performance and the effectiveness of internal controls.

9.3 The Audit Committee shall adopt a written charter.

9.4 The Board shall adopt a "whistle-blower" program under which employees can confidentially raise concerns about possible improprieties in financial or legal matters. Under the program, concerns may be communicated directly to the CEO and Audit Committee members.

10. Annual Board Review

10.1 The Board shall 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 the Firm's affairs. The results of the review shall be summarized in a written certification, to be signed by all Board members, and sent to the CBB within 3 months of the financial year end of the Firm. The Board shall report any material deficiencies identified during the review, along with an action plan and timescales for their correction.

10.2 The Board 's review shall cover the following specific matters:

- a. That the Board has reassessed the Firm’s objectives and plans, and has reviewed the Firm’s corporate strategy document;
- b. That the Board has reassessed the Firm’s overall risk profile and its mapping of risks and the control environment put in place to meet those risks. The Board shall comment whether the control environment remains effective and appropriate;
- c. That the Board has assessed the Firm’s internal controls, to confirm that these are based on established policies and procedures approved by the Board and provide reasonable assurance of the integrity and reliability of its financial records;
- d. That the Board has assessed whether adherence to established internal limits and controls was continuously monitored;
- e. That the Board has assessed that all new (or material changes to) significant policies, procedures and products introduced by the Firm since the last Board certification were appropriately reviewed and approved at the time;
- f. That the Board has assessed that management and staff has complied with the Firm’s corporate code of conduct; and
- g. That in the period under review, the Board had received and reviewed the External Auditor's management letter within six months of the (previous) financial year end, together with comments on the letter and proposed actions from the Firm’s Audit Committee and senior management.

Approved Persons Loyalty and Disclosure of Conflicts of Interest

1. Each Approved Person shall understand that under the CLL he/she is personally accountable to the Firm and the shareholders if he/she violates his/her legal duty of loyalty to the Firm, and that he/she can be personally sued by the Firm or the shareholders for such violations.

2. The Board shall establish and disseminate to employees and appointed representatives policies and processes for the identification, reporting and prevention or management of potential conflicts of interest, including matters such as:

- a. Related party transactions;
- b. The misuse of the Firm’s assets; and
- c. The use of privileged information for personal advantage (“insider trading”).

3. The Board shall ensure that policies and procedures are in place to ensure that necessary client confidentiality is maintained.

4. The Firm shall maintain an organisational structure that minimises the risk of conflicts of interest arising.

5. Each Approved Person shall inform the entire Board of conflicts of interest as they arise and abstain from voting on the matter in accordance with the relevant provisions of the CLL.

6. This disclosure shall include all material facts in the case of a contract or transaction involving the Approved Person. The Approved Persons shall understand that any approval of a conflict transaction is effective only if all material facts are known to the authorising persons and the conflicted person did not participate in the decision.

7. Board members shall declare annually in writing all of their interests (and those of their respective families) in other enterprises or activities (whether as a director, shareholder, and senior executive or other form of participation) to the Board.

8. The Firm shall 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 authorisation of a conflict of interest contract or transaction in accordance with the CCL.

Remuneration of Approved Persons

1. Remuneration (including incentives, bonuses and other rewards) of approved persons shall be set at the appropriate and fair level to attract, retain and motivate persons of the quality needed to run the Firm successfully.

2. The review of Directors' remuneration shall be a standing item on the Firm's Annual General Meeting agenda, and shall be considered by shareholders at every Annual General Meeting. Directors' remuneration (including pension and severance arrangements) and bonuses must be clearly disclosed in the Annual Report.

3. Remuneration of non-executive Directors shall not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

4. Remuneration of senior management shall be structured so that a portion of the total is linked to Firm and individual performance and thus aligning their interests with the interests of the shareholders. Such rewards may include grants of shares, share options and other deferred stock-related incentive schemes, profit sharing, bonuses, and pension benefits which are not based on salary.

5. All share incentive plans shall be approved by the shareholders.

Management Structure

1. The Board shall approve and review at least annually the Firm's management structure and responsibilities.

2. The Board shall appoint senior management whose authority shall include management and operation of current activities of the Firm, reporting to and under the direction of the Board. The senior managers shall include at a minimum:

- a. A CEO;
- b. A Chief Financial Officer or as outsourced to a reputable firm;
- c. A Corporate Secretary or as outsourced to a third party;
- d. An Internal Auditor or as outsourced to a reputable firm; and
- e. A Compliance Officer.

3. These provisions shall include but shall not be limited to the following:

- a. The CEO shall have authority to act generally in the Firm's name, representing its interests in concluding transactions on its behalf and giving instructions to other senior managers and employees.
- b. The Chief Financial Officer (or as outsourced to a professional accounting services provider) shall be responsible and accountable for the complete, timely, reliable and accurate preparation of the Firm's financial statements, in accordance with the accounting standards and policies.
- c. The Corporate Secretary's (or as outsourced to a third party) duties shall include arranging, recording and following up on the actions, decisions and meetings of the Board and of the shareholders (both at annual and extraordinary meetings) in books to be kept for that purpose.
- d. The Internal Auditor's (or as outsourced to a reputable firm) duties shall include providing an independent and objective review of the efficiency of the Firm's operations. This shall include a review of the accuracy and reliability of its accounting records and financial reports as well as a review of the adequacy and effectiveness of the Firm's risk management, control, and governance processes.
- e. The Compliance Officer's duties include maintaining effective systems and controls for compliance with applicable requirements in the Kingdom's legislation and those set by the CBB, and those established under any other statute or regulator to which they are subject.

Internal Audit

1. The Firm shall establish an Internal Audit function independent from senior management and not combined with any other function, or outsource it to a reputable firm, to monitor the adequacy of its systems and controls.
2. If the Firm outsources part or all of its Internal Audit functions, the outsourcing arrangements shall provide for an adequate level of scrutiny of the Firm, and shall comply with the requirements contained in the Risk Management Module of the CBB's Rulebook Volume 4. The Firm shall not outsource its Internal Audit function to its External Auditors.
3. Prior approval from the CBB shall be sought for significant outsourcing arrangements, including all outsourcing of Internal Audit. In all such cases, the Firm retains ultimate responsibility for the adequacy of its outsourcing function, and shall to identify a person within the Firm responsible for Internal Audit. This person shall be an Approved Person.
4. The Internal Audit function shall have terms of reference that clearly indicate:
 - a. The scope and frequency of audits;
 - b. Reporting lines; and
 - c. The review and approval process applied to audits.
5. Where it is outsourced, these matters shall be addressed in the contract with the outsourcing provider.
6. The Internal Audit function shall report directly to the Audit Committee/Board. They shall have unrestricted access to all the appropriate records of the Firm. They shall have open and regular access to the Audit Committee, the Board, the CEO and the Firm's External Auditors.
7. The Internal Audit function must have adequate staff levels with appropriate skills and knowledge, such that they can act as an effective challenge to the business. Where the function

is not outsourced, the head of the function should be a senior and experienced employee. The Internal Audit function must not perform other activities that compromise its independence.

8. The formal audit plan shall be:
 - a. Reviewed and approved at least annually by the Audit Committee/Board;
 - b. Risk-based, with an appropriate scoring system; and
 - c. Covers all material areas of the Firm's operations over a reasonable timescale.
9. Internal Audit reports shall also be:
 - a. Clear and prioritized, with action points directed towards identified individuals;
 - b. Timely; and
 - c. Distributed to the Audit Committee or Board and appropriate senior management.
10. The Firm shall also have processes in place to deal with recommendations raised by Internal Audit to ensure that they are:
 - a. Dealt with in a timely fashion;
 - b. Monitored until they are settled; and
 - c. Brought to the attention of senior management if they have not been adequately dealt with.

Compliance

1. The Firm shall take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements in the Kingdom's legislation and those set by the CBB, and those established under any other statute or regulator to which they are subject.
2. Depending on the nature, scale and complexity of its business, the Firm shall consider having a separate compliance function. A compliance function shall:
 - a. Document its organisation and responsibilities;
 - b. Be appropriately staffed with competent individuals;
 - c. Have unrestricted access to Firm's relevant records; and d. Have ultimate recourse to the Board.
3. The compliance function shall not be combined with the Internal Audit function or any other operational function as such combination may lead to a conflict of interest.

Communication between Board and Shareholders

1. The Board shall observe both the letter and the intent of the CCL's requirements for shareholder meetings. Among other things:
 - a. Notices of meetings shall be honest, accurate and not misleading. They shall clearly state and, where necessary, explain the nature of the business of the meeting;
 - b. Meetings shall be held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
 - c. Notices of meetings shall encourage shareholders to participate by proxy and shall

refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy agreement shall list the agenda items and must specify the vote (such as “yes,” “no” or “abstain”);

d. Notices shall ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including but not limited to any recommendations or dissents of Directors;

e. The Board shall propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not “bundled” together;

f. In meetings where Directors are to be elected or removed the Board shall ensure that each person is voted on separately, so that the shareholders can evaluate each person individually;

g. The Chairman of the meeting shall encourage questions from shareholders, including questions regarding the Firm’s corporate governance guidelines;

h. The minutes of the meeting shall be made available to shareholders upon their request as soon as possible but not later than 30 days after the meeting; and

i. Disclosure of all material facts shall be made to the shareholders.

2. The Firm shall require all Directors to attend and be available to answer questions from shareholders at any shareholder meeting and, in particular, ensure that the chairs of any Board’s committee are ready to answer appropriate questions regarding matters within their respective committees’ responsibility (it being understood that confidential and proprietary business information may be kept confidential).

3. The Firm shall require its External Auditor to attend the annual shareholders’ meeting and be available to answer shareholders’ questions concerning the conduct and conclusions of the audit.

Direct Shareholder Communication

The Chairman of the Board (and other Directors as appropriate) shall maintain continuing personal contact with controllers to solicit their views and understand their concerns. The Chairman shall ensure that the views of shareholders are communicated to the Board as a whole. The Chairman shall discuss governance and strategy with controllers. The Board should encourage investors, particularly institutional investors, to help in evaluating the Firm’s corporate governance.

Controllers

The Chairman and other Directors shall actively encourage the controllers to make a considered use of their position and to fully respect the rights of minority shareholders.

Governance and Disclosure per Shariah Principles

In ensuring compliance with Shariah principles, the Firm shall establish a Shariah Supervisory Board comprised of at least 3 Shariah board members, to verify that its operations are Shariah compliant, and to comply with relevant Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) standards. Any exceptions shall be approved by CBB.