



(FOR PRESENTATION BY BOARD TO SHAREHOLDERS AT AGM IN MARCH 2012)

Corporate Governance Report for the year ending 31st December 2011

CONTEXT

The Corporate Governance Code of the Kingdom of Bahrain (the "Code") was issued in March 2010 by the Ministry of Industry and Commerce (the 'MOIC'). Full compliance was required for Bahrain public companies by the end of 2011. The Code requires companies to adopt written corporate governance guidelines covering the matters stated in the Code, and to report annually to their shareholders on their compliance with those guidelines and with the Code, and to explain to the shareholders if it has varied them or believes that any non-compliance was justified.

On 27th July 2011, the Central Bank of Bahrain (the 'CBB') issued the Corporate Governance Module ('the Module') under the Capital Markets section of the CBB Rulebook, which became effective 1 September 2011. Certain sections of the CBB Module are extracts or expansions of the requirements found in the Code, and apply to all listed companies. Compliance with the Module is required by the financial year end 2011, and (as with the Code), companies are required to report and explain any areas of non-compliance by way of an annual report to Shareholders and to the CBB.

This report sets out Alba's report as required by both the MOIC Code and the CBB Module.

REPORT ON COMPLIANCE

The Board of Directors of Alba approved the implementation of the Corporate Governance Guidelines endorsed by the Board Audit Committee at the 120th Alba Board Meeting on 1st December 2010. The guidelines were published on Alba's website at the end of Q1 2011.

The Board presented the Company's first Corporate Governance Report at the 41st Shareholders Meeting on 30th March 2011. Issued Corporate Governance Reports can be viewed by visiting www.albasmelter.com

Alba currently complies with all the elements of the MOIC Code, and with the CBB Module, with the exception of certain areas of non application as explained below.

1. The Code and the Module state that *the Nomination and Remuneration Committees should include only non executive directors of whom a majority is independent directors and the chairman is an independent director*. The reason given is so that *members exercise judgment free from personal career conflict of interest*. Currently, per the collective restrictions in the Code and the Module, the Chairman of the HR Committee is classified as non executive and independent. The 2nd member is classified as executive and non-independent due to the fact that he holds a management position in a controlling shareholder and is on the board of a major customer of the Company. The 3rd member is classified as non-executive and non-independent, due to the fact that he holds more than 5% of shares in a company that received from the Company payments of more than 31,000 BD annually. The Alba Board has reviewed these situations and is of the opinion that the specific circumstances that lead to the members classification do not present actual conflicts of interests with the activities of the HR Committee, as they do not impair the members' abilities to exercise judgment free from personal career conflicts.
2. The Code and the Module state that *the majority of members of the Audit Committee should be independent*. Currently in Alba, three of the 5 members of the Audit Committee are classified as non independent, per the restrictions in classification set out in the Code and the Module. In the case of two of



these, this is purely due to their positions as managers in controlling shareholders. The Alba Board has reviewed these situations and is of the opinion that the specific circumstances that lead to the classification of these 2 directors do not present conflicts of interests with the activities of the Audit Committee. The 2 remaining members, including the Chairman of the Audit Committee, are independent.

3. Some information set in Appendix E of the Code for reporting to Shareholders, such as detailed individual Directors remuneration, and Executive remuneration and performance incentives is available for inspection through the General Counsel and Corporate Secretary of the Company subject to prior approval of the Chairman, and is only provided in summary in the following pages or in the annual report.

DISCLOSURES REQUIRED BY APPENDIX E OF THE CODE, AND BY THE CBB MODULE

1. **Ownership of Shares:** On 23rd November 2010, the Company converted from a closed shareholding company to a public shareholding company.
 - 1.1 Distribution of ownership by nationality: Bahrain, Saudi Arabia and Others.
 - 1.2 Distribution of ownership by size of shareholders: Bahrain Mumtalakat Holding Company ("Mumtalakat"): **69.38%**; Sabic Industrial Investments Company ("SIIC"): **20.62%**; Public: **10%**
 - 1.3 Ownership by government: **69.38%** (through Mumtalakat)
 - 1.4 Names of shareholders owning 5% or more and, if they act in concert, a description of the voting, shareholders' or other agreements among them relating in concert, and of any other direct and indirect relationships among them or with the company or other shareholders.

Mumtalakat; SIIC;

A Shareholders' Agreement was signed on 8 November 2010, between Mumtalakat and SIIC pursuant to which Mumtalakat and SIIC intend to exercise the voting rights attached to their shares in a manner that would facilitate the appointment by SIIC of a third nominee to the Company's Board of directors, provided that, among other things, SIIC owns at least 20% of the Company's issued share capital. If SIIC is able to independently appoint a third nominee to the Board of directors by virtue of the application of the Company's Articles of Association, then Mumtalakat's obligation to assist the appointment by SIIC of a third nominee to the Board of directors would cease to have effect.

2. Board, Board Members, and Management

2.1 Board functions

The functions of the Board are those established by the Corporate Governance Code and the Commercial Companies Law of the Kingdom of Bahrain and by the Memorandum and Articles of Association of the Company (the "Articles") and in particular shall include:

- Setting the overall business strategy for the Company;
- Causing financial statements to be prepared which accurately disclose the Company's financial position;
- Monitoring management performance;
- Convening and preparing the agenda for shareholder meetings;



- Monitoring conflicts of interest and preventing abusive related party transactions;
- Assuring equitable treatment of shareholders, including minority shareholders;
- Approving those matters reserved to the Board in the 'Levels of Authority' document approved by the Board from time to time;
- Exercising all powers and performing all acts necessary for the management of the Company in conformity with its objectives, within the bounds of the Law, the Articles, and resolutions of the General Meetings;
- Establishing company policies, appointing or removing Managers, officers or employees, determining their duties and setting their remuneration (including incentive programmes).
- Purchasing, selling and mortgaging assets, withdrawing funds and securities owned by the Company, applying for finance, issuing debentures, securities, giving guarantees to third parties, giving authorization to institute actions and defend the interests of the Company before the judiciary, entering into agreements for conciliation and arbitration, waiving the Company's priority rights, and deciding on the use of company funds and
- Forming Executive, Audit and other Committees, appointing their members and specifying their powers.

2.2 Types of materials transactions that require Board approval

The Level of Authority (LOA) approved by the Board on 19th January 2011 summarises areas related to strategies, long-term commitments and policies where approval of the Board is necessary. These include:

- Investment and expansion projects above monetary thresholds in accordance with capital expenditure policy approved by the Board and as set out in the LOA;
- Sales and purchase contracts (materials and services) greater than 5 years and, in some instances, above certain monetary thresholds and contract quantities;
- Equity and dividend related recommendations for Shareholders' approval;
- Recommendation of acquisitions, mergers, diversification, divestment and other business combination related decisions for Shareholders' approval;
- Strategic hedging strategies;
- Cumulative short term borrowing limits;
- Annual plan and operating plan; and
- Key policies, such as the Levels of authority, Code of conduct, Tender policy, Risk Management policy, Capital Expenditure Policy, and key HR policies.

2.3 Detailed information about the directors, including directorships of other Boards, positions, qualifications and experience

The Board of directors is the Company's main deliberative body responsible for determining the direction of the Company's business operations, including its long-term strategy. The Company's Board of directors is currently composed of nine members. Article 23 of the Company's Articles of Association outlines the general qualifications of its Board of directors.



ALUMINIUM BAHRAIN B.S.C.



Name	Age	Year First Appointed	Directorships of other Boards	Position
Mahmood Hashim Al Kooheji	53	2006	Tenmou – The Bahrain Business Angels Company APICORP	Board Director Board Director
Fawzi A. Kanoo	63	2005	Bahrain Hotels BSC Bahrain Ship Repairing & Eng. Co. BSC 21 Bahrain Private Limited Companies 2 Foreign (non-Bahrain) Companies	Director Executive Director Chairman and Board Director
Yousif A. Taqi	49	2008	Al Salam Bank Manara Development Company North Star Holding Shaikha Hessa Girls School Pan Arabian Gourmet Amar Holding Tadhanmon Islamic Bank	Board Member & CEO Chairman Chairman Board Member Owner Chairman Board Member
Sheikh Mohamed Bin Khalifa Al Khalifa	36	2005	Central Bank of Bahrain BAPCO NOGA and its affiliates Oil and Gas Holding Company	Director Director Director CEO
Osama M. Al Arrayedh	48	2006	Not applicable.	
David E. Meen	65	2005	Kandilli Associates (Turkey)	Chairman
Mutlaq H. Al Morished	54	2003	Bank Gulf One Saudi Kayan Saudi Yansab	Board Member Chairman Chairman
Homood A. Al Tuwaijri	48	2008	Al Jubail Petrochemical Co. (KEMYA) Saudi Yanbu Petrochemical (YANPET) SABIC Capital B.V. Power & Utility Co. for Jubail and Yanbu	Chairman Chairman Board Member Member
Abdulaziz S. Al Humaid	51	2009	Gulf Aluminium Rolling Mill Co. Ltd. (GARMCO) Saudi Iron & Steel Co. (HADEED) National Industrial Gas Co. (GAS) Power & Utility Co. of Jubail and Yanbu	Board Member Chairman Chairman Board Member

The appointments of the first 6 directors were affirmed by Royal Decree on April 28th 2008, with no stipulated expiry date. All underwent a rigorous re-assessment of their independence during 2011. Mr. Morished's current term expires in 2012, Mr. Al Humaid's in December 2013 and Mr. Al Tuwaijri's in March 2014.

(1) Mahmood Hashim Al Kooheji. Mr. Al Kooheji has over 34 years of experience of working across a broad range of industry sectors. In 1976, he began his career with BAPCO as a project engineer before joining the Ministry of Finance and National Economy in 1988 as Senior Industrial Engineer. From 1994 to 2005, he served as the Director of Government Shareholdings Directorate and was responsible for overseeing the operation of the companies which were fully or partially owned by the Government of Bahrain. He was instrumental in executing the expansion programs which covered industrial, commercial and service industries. These included large local industrial companies such as BAPCO, Alba, GPIC, as well as commercial



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undertakings such as National Bank of Bahrain, GIB and Bahrain Development Bank. He was appointed as the Assistant Undersecretary in 2005 and in this role he was responsible for the preparation of a national strategy for economic growth and diversification as well as managing the Economic Affairs Division. As an Assistant Undersecretary of Economic Affairs, he was actively involved in the Bahrain Economic Development Board's initiative, which led to the establishment of Bahrain Mumtalakat Holding Company B.S.C. (c).

From July 2006 to 23 October 2011, he was the Deputy Chief Executive Officer of Mumtalakat. On 23 October 2011, by virtue of a Royal Decree by King Hamad Bin Isa Al Khalifa, Mr. Al Kooheji was appointed as the Chief Executive Officer of Labour Fund (Tamkeen) for a three year-term. Mr. Al Kooheji was appointed as a member of the Company's Board of Directors in 2006 and was appointed as the Chairman in 2008. Mr. Al Kooheji also chairs the Board Human Resources Committee. Mr. Kooheji received a bachelor's degree in mechanical engineering from Staffordshire University in 1984, and an MBA from Henley College of Management, Brunel University in 1988.

(2) Fawzi Ahmed Kanoo. Mr. Kanoo has over 38 years of experience across various industry sectors including real estate, transportation, travel and tourism and hospitality. He was appointed as a member of the Company's Board of directors in 2006, and is a member of the Board Human Resources Committee. Mr. Kanoo serves as an Executive Director of Bahrain Ship Repairing and Engineering B.S.C. Past directorships included Bahrain Airport Services. He is currently the Group Board Director of Yusuf Bin Ahmed Kanoo, a multi-national organization, with offices throughout the Arabian Gulf. Prior to taking over this position he was the director of the transportation group of Yusuf Bin Ahmed Kanoo, which operates travel, freight services, cargo services and aircraft handling divisions throughout the GCC. Prior to this, he worked as a management executive at the same company. Mr. Kanoo received a bachelor's degree in business administration from South West Texas State University in 1974.

(3) Yousif A. Taqi. Mr. Taqi has more than 25 years of experience in the financial services sector and is a recognized leader in the Islamic finance industry. He played a key role in formulating and implementing new standards and guidelines for the accountancy Boards of various Islamic financial institutions and organizations in the Kingdom of Bahrain and other countries. Mr. Taqi was appointed as a member of the Company's Board of directors in 2008. In addition to serving on the Company's Board of Directors, he is currently the Chairman of the Board Audit Committee, the Chairman of Manara Developments Company B.S.C. (c), Amar Holding Company B.S.C. (c), North Star Holding, Tadhanmon Islamic Bank, Shaikha Hessa Girls School, and Pan Arabian Gourmet. Prior to his appointment as Chief Executive of Al Salam Bank Bahrain in 2006, he worked as the Deputy General Manager of Kuwait Finance House from 2003-2006 and was an active member of the Risk Board of the Islamic Financial Service Council, Malaysia. From 1983 to 2003, he worked with Ernst & Young, Bahrain office, in various capacities and was promoted to a partner in the firm in 1999, a position that he held until 2003. He received a bachelor's degree in Accounting from Husson College in the United States in 1990, and qualified as a Certified Public Accountant in 1991.

(4) Sheikh Mohamed Bin Khalifa Al Khalifa. Sheikh Mohamed started his career in 1999 at the Financial Information Directorate of the Ministry of Finance & National Economy. In 2005, he was appointed as a member of the Company's Board of Directors and a Member of Board Audit Committee. From 2005 to 2007, Sheikh Mohamed was the Director of Government Shareholdings at the Ministry of Finance and National Economy. From April 2007, he also served as the director of privatization and outsourcing at the Ministry of Finance and National Economy. He has also served on the Board of Directors of Bapco, NOGA Holding Companies and its affiliates, Central Bank of Bahrain, Lulu Tourism (as its vice-chairman), Qatar-Bahrain Causeway Authority and the Shaikha Hessa School. In September 2011 he was appointed Chief Executive Officer of the Oil & Gas Holding Company, a subsidiary of NOGA. Sheikh Mohamed received his master's degree in business administration with distinction from DePaul University, Kellstadt Graduate School of Business in 2004. He also received an advanced M.Sc. in Computing from Imperial College of Science,



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Technology and Medicine in 1999. In 1997, he attended the University of Cambridge and received a Postgraduate Diploma in Computer Science. He received his bachelor's degree in computer engineering (with Honours) in spring 1996, and an International Baccalaureate Diploma, Geneva, in July 1992.

(5) Osama M. Al Arrayedh. Mr. Al Arrayedh started his career in the Kingdom of Bahrain's Ministry of Electricity and Water in 1986 as a Systems Developer. From 1992 to 2002 he was the Chief of Computer Systems Development & Maintenance. In 2003, he joined the Ministry of Industry as the Director Hi-Tech and Informatics. In 2003, he was appointed the Assistant Undersecretary for Industrial Development at the Ministry of Industry and Commerce. Currently, Mr. Al Arrayedh is the Acting Undersecretary for Industry Affairs. He was appointed as a member of the Company's Board of Directors in 2006 and is a member of the Board Audit Committee. He received a bachelor's degree in Computer Science and Mathematics from St. Edward's University, Austin Texas, in 1985. In 1995, he received his Master of Philosophy (Mphil) in Computer Science from the University of Nottingham, and presented his thesis on the Evolution of Synthesized Relational Database Schemas. In 2002, he underwent an Executive Development Programme in University of Virginia.

(6) David E. Meen. Mr. Meen is a native and citizen of Canada. He has extensive experience in brand management and consulting across a wide variety of industries such as transportation, oil, gas and retailing. After several years with Procter and Gamble, he joined the Toronto Office of McKinsey & Company in 1973. He spent his first 18 years with McKinsey in Canada, including the last eight as McKinsey's Managing Director for Canada. In 1991, he moved to Europe where he served as the Managing Director of McKinsey's EuroCenter for four years and then a Director of McKinsey's Scandinavian practice. In 1999, he moved to Turkey and was the Managing Director for McKinsey's Turkish practice until his retirement in mid-2003. He was also the project director and primary author of the McKinsey Global Institute's definitive study of the Turkish economy and the opportunity for productivity-led growth. Upon retirement, Mr. Meen and his wife have made Istanbul their permanent home. He founded Meen Partners, based in Istanbul, and continues to consult both in Turkey and across the Arabian Gulf region. In 2005, Mr. Meen was appointed as a member the Company's Board of Directors. Mr. Meen received his bachelor's degree in commerce from the University of Toronto in 1968.

(7) Mutlaq H. Al Morished. Mr. Al Morished has extensive experience in the field of corporate finance. Before taking up his current position as Executive Vice President, Corporate Finance at SABIC, he was successively Vice President of Shared Services, President of the Saudi Petrochemical Company, and also of the Saudi Iron Steel Company. In 2003, he was appointed as a member of the Company's Board of directors. Currently, he serves in the Board of Bank Gulf One, Saudi Kayan, and Saudi Yansab. He received a bachelor's degree in Nuclear Physics and Mathematics from the University of Denver. He obtained his master's degree from Stanford University, and MSc in Nuclear Engineering from Princeton University.

(8) Homood Al Tuwajiri. Mr. Al Tuwajiri has extensive experience in the area of corporate finance. Since January 2008, Mr. Al Tuwajiri has served as the Executive Vice President of Corporate Control of SABIC, responsible for the SABIC Global Governance Functions of Internal Audit, Environmental, Health, Safety & Security, Legal Affairs, Enterprise Risk Management and Business Process & Data Quality Management. He served as the Vice President of Petrochemicals Coordination in charge of the SABIC Group Supply Chain and Logistics, Middle East & Africa Sales Offices & Petrochemical SBUs Coordination from 2004 to 2007. Mr. Al Tuwajiri's other Vice President positions within SABIC include Corporate Finance from 2002 to 2004 and Administrative Services from 1998 to 2002. As the Vice President of Corporate Finance of SABIC, he spearheaded SABIC's globalization drive and was instrumental in ensuring sustainable growth in profits. He holds current directorships in Al Jubail Petrochemical Co. (KEMYA), Saudi Yanbu Petrochemical (YANPET), SABIC Capital B.V., and Power and Utility Company for Jubail and Yanbu. In March 2008, Mr. Al Tuwajiri was



appointed as a member the Company's Board of Directors. Mr. Al Tuwaijri received a master's degree in Industrial Engineering from the Georgia Institute of Technology in 1983.

(9) Abdulaziz S. Al Humaid. Mr. Al Humaid started his career in 1981. He has 29 years of experience in the petrochemicals and metals industry. From 1996 to 2000, he served as the Senior Vice President of Arabian Petrochemical Company, where he started his career. He has also served as the President of Al Jubail Petrochemical Company and National Industrial Gases Company. Before taking up his current post as Executive Vice President of Metals of SABIC in April 2009, he was the President of Saudi Iron and Steel Company. In March 2009 he was appointed as a member of the Company's Board of Directors and member of both the Audit and Human Resources committees. He also serves as the chairman of Saudi Iron and Steel Company and the National Gas Industrial Gases Company, and is a member of the Board of directors of the Gulf Aluminium Rolling Mills Co. (GARMCO), Saudi Arabia. Mr. Al Humaid received a bachelor's degree in chemical engineering science from the King Fahad University of Petroleum and Minerals, Dhahran, the Kingdom of Saudi Arabia in 1981.

2.4 Numbers and names of independent directors can be found in section 3.2

2.5 Board Terms and Start Date of Each Term – These are set out in Article 22: 1, 2, 3, 4, & 5:

- See 2.8 for Board terms, and 2.3 for current status of appointment terms
- Bahrain Mumtalakat Holding Co. with its percentage share of 69.38% is entitled to appoint six directors. Sabic Industrial Investments Company with its percentage share of 20.62% is entitled to appoint two directors.

2.6 New Directors Orientation

A personal orientation is done by the Chairman with the new Director. A Director's handbook consisting of key documents and other context on the directors' responsibilities was created during 2011 to facilitate orientation.

2.7 Director's ownership and trading of company shares during the year

Currently, three directors hold Alba ordinary shares:

- Mahmood H. Al Kooheji - 30,477 ordinary shares (no trading during 2011)
- Mutlaq H. Al Morished - 6,944 ordinary shares (no trading during 2011)
- Homood A. Al Tuwaijri – 15,000 ordinary shares (all were purchased during 2011)

2.8 Election system, and process for termination of directors

- The Company shall be administered by a Board of Directors consisting of 10 (ten) directors to be appointed and/ or elected in accordance with the provisions of the Articles of Association and



Article 175 of the Law. The number of directors may be varied according to paragraph 5 of this Article 22 subject to the provisions of the Law.

- A shareholder who owns 10% or more of the capital shall appoint his representative on the Board of Directors proportionately to the total number of members of the Board of Directors, so that one member shall be appointed for each 10% shareholding in the share capital, and the shareholder shall forfeit his right of voting to elect the remaining number of Board of Directors to the extent of the percentage or percentages of shares for which an appointment is made. If the shareholder still holds a percentage that is not enough to make him eligible for appointment of another member, he may use such percentage in voting with the other shareholders who have the right to elect members of the Board of Directors (other than the appointed members) in accordance with the provisions of paragraph 3 of this Article.
- After making the appointments for membership of the Board of Directors by eligible shareholders through the application of the provisions of paragraph 2 above, the Ordinary General Meeting shall elect the remaining number of members of the Board of Directors by secret ballot. The election shall be by simple majority of eligible votes subject to the provisions of paragraph 2 above with respect to eligibility for voting in the election which shall be based on a list or lists of qualified nominees presented to the Ordinary General Meeting by the Board of Directors before the date of the General Meeting at which elections are scheduled to take place.
- The Ordinary General Meeting may from time to time determine the number of members of the Board of Directors otherwise than specified in paragraph 1 above, provided the number of members shall at no time be less than five. The purpose of determining the number of members in this manner is to include the number of members appointed pursuant to paragraph 2, and those members elected pursuant to paragraph 3 of this Article as well as the expert members of the Board of Directors who are not shareholders but appointed from time to time by the Ordinary General Meeting.
- Members of the Board of Directors shall be elected for a three year renewable term. A corporate person who has appointed one or more members of the Board of Directors may replace them by others whether during the said period or on its expiry. An elected member of the Board of Directors may be re-elected upon the expiry of his term of office, and this shall be considered to be a new nomination which requires satisfaction by such member of all the terms and conditions required to be satisfied by a person nominated for membership of the Board of Directors for the first time as set out in Article 23 of the Articles of Association. The term of office of the Board of Directors may be extended by Resolution of the Minister of Industry and Commerce for a period not exceeding six months at the request of the Board of Directors.
- No person shall be appointed or elected to membership of the Board of Directors unless he consents in writing thereto.

Termination: A director's membership of the Board of Directors terminates in the following events:

- If he was appointed or elected contrary to the provisions of the Law or the Articles of Association.
- If he loses any of the qualifying conditions referred to in Article 23 above or in Articles 173 and 174 of the Law.



- If he mis-uses his position as director in carrying on business that is competitive to that of the Company or if he causes actual damage to it.
- If he resigns or withdraws from his office, provided the foregoing shall be done in an opportune time, otherwise he shall be liable to pay damages to the Company.
- If the appointing shareholder has notified the Board of Directors of its desire to terminate the membership of the member representing it or to appoint a replacement thereof.
- If the General Meeting terminates his membership in accordance with Article 178 (b) of the Law and Article 27 of the Company's Memorandum & Articles of Association. The General Meeting may terminate the membership of all or some of the members of the Board of Directors. Requisition for termination shall be presented to the Board of Directors by shareholders representing at least 10% of the capital. The Board of Directors shall forward such requisition to the General Meeting within a maximum period of one month from the date of its submission; otherwise the Ministry of Industry and Commerce may issue the notice for the Meeting. The General Meeting may not consider this requisition with respect to the said termination unless the said requisition is on the agenda, save when serious developments are revealed during the meeting requiring such termination.
- A member who has been terminated may seek compensation from the Company if said termination is without acceptable justification or not at a suitable time.

2.10 Board Meeting Dates

Meetings of the Company's Board of directors take place at least quarterly, or more frequently, as necessary. The Board Meetings in 2011 were held on: 28 February, 19 June, 14 September, and 30 November.

2.11 Attendance of Directors at each Board Meeting

(1) Mahmood H. Al Kooheji, Chairman	4 meetings
(2) Fawzi A. Kanoo	4 meetings
(3) Yousif A. Taqi	4 meetings
(4) Sh. Mohamed Bin Khalifa Al Khalifa	4 meetings
(5) Osama M. Al Arrayedh	4 meetings
(6) David E. Meen	3 meetings
(7) Mutlaq H. Al Morished	4 meetings
(8) Homood A. Al Tuwaijri	4 meetings
(9) Abdulaziz S. Al Humaid	4 meetings

2.12 Attendance fees of Individual members divided into sitting fees and remuneration for 2011.

The annual remuneration fees of the Directors are determined by the shareholders at the same annual shareholders meeting approving the Company's previous fiscal year's financial statements, and are subject to the approval of the Minister of Commerce and Industry in respect of any year in which the Company was unprofitable. At the Annual Shareholders Meeting on 30 March 2011, it was approved



that the total sum of BD190,000 shall be paid to nine Board Directors in respect of the remuneration fees for the year 2010.

An attendance allowance of BD Five Hundred per meeting was agreed by the Board in the 105th Alba Board Meeting dated 15 April 2007.

In September 2009, the Chairman of the Board approved an allowance of BD Three Hundred to each Board Director travelling from Saudi Arabia.

One Board Director based outside Bahrain (Istanbul) was reimbursed at cost.

2.13 List of senior managers and profile of each

The Company's executive management is primarily responsible for managing its day-to-day operations and implementing the strategy and policies set forth by the Company's Board of directors.

Name	Age	Position	Date of First Appointment	Date of Current Position
Laurent Schmitt	53	Chief Executive Officer	January 2010	January 2010
Timothy "Tim" J. Murray	40	Chief Financial Officer	May 2007	July 2009
Isa A. Latif Al Ansari	47	Chief Supply Chain Officer/ Acting Chief Operating Off.	July 1983	December 2009 February 2011
Jean Claude Baptiste	40	Chief Marketing Officer	January 2011	January 2011

The following is the brief biographical summary of the members of the executive management:

Laurent Schmitt, Chief Executive Officer. Mr. Schmitt has over 35 years of experience in the mining, chemicals, and aluminium industry. He started his career in 1975 at Houilleres Du Bassin De Lorraine. In 1986 he joined Pechiney, where he held senior management positions for 15 years from 1999-2001, as General Manager, Consumer Goods Rolled Products Division and Member of the Aluminium Sector Management Committee. From 2001 up to 2009, Mr. Schmitt served as President of various divisions of Rhodia, the latest being the President of Rhodia Polyamids and Member of the Operational Committee of the Rhodia Group as well as a Member of Rhodia Group Management Committee, prior to joining as the Company's Chief Executive Officer in January 2010. Mr. Schmitt obtained the Engineer Degree of the prestigious Ecole Polytechnique (France) in 1986 and of the Ecole Nationale Superieure des Arts et Metiers (France) in 1983 as well as a Master of Science degree from the Jussieu University (France).

Timothy "Tim" J. Murray, Chief Financial Officer. Mr. Murray joined the Company in 2007 as General Manager Finance and Legal. Prior to joining this, he spent ten years with ARC Automotive, a leading manufacturer of Air Bag Systems supplying the global automotive industry, where in his last role he was Vice President and Chief Financial Officer. In July 2009 as part of Alba's restructuring, he was promoted to Chief Financial Officer. During the re-structuring period up until now, he was also appointed as acting Chief Marketing Officer. Mr. Murray is a Certified Public Accountant (CPA) and a member of AICPA. He has completed various Executive Management Programs at the University Of



Chicago Graduate School Of Business. Mr. Murray received his bachelor's degree in accounting from Susquehanna University (USA) in 1993, and he obtained his MBA from Vanderbilt University in 2003 where he graduated Beta Gamma Sigma (top 20% of class). Mr. Murray is also a certified Six Sigma Greenbelt through Sequa Corporation.

Isa A. Latif Al Ansari, Chief Supply Chain Officer. Mr. Al Ansari started his career with the Company in 1983. In his 27 years of experience, he has risen through ranks of an apprentice, management executive and currently Chief Supply Chain Officer. He manages the Company's global supply chain, all of its procurement including strategic and major raw materials and its calciner and marine terminal. Prior to his promotion, he was Procurement Manager from October 2009, and has held several managerial positions with the Company from 2002 to September 2009 in the areas of Materials Management, Stores and Data Management, Purchasing, Inventory and Warehouse Management. He has extensive experience in logistics, maintenance, planning, ERP implementation, warehouse management, inventory management, project execution and purchasing. He has made significant contributions to Business Process Re-engineering, SAP PM/MM modules, the implementation of reliability-centered maintenance (RCM) and spares optimization service (SOS) packages, and the Company's document management system (DMS). Mr. Al Ansari received a bachelor's degree with distinction in electrical and electronics engineering from University of Northumbria (UK) in 1996. In 1991, he obtained a diploma in electrical and electronic engineering from Hindustan Academy in India. He has also undergone many extensive training programs in management, leadership and supply chain management.

Jean-Baptiste Lucas, Chief Marketing Officer. Mr. Lucas is a graduate of ESCP, a leading European business school, where he received a Bachelor in economics and management in 1994. He worked for 3 years in a management consulting firm then joined Pechiney as a marketing analyst for the primary aluminium division based in Paris from 98 to 2000. After a two-year stint as e-business development project manager for the corporate office, he then took a position as Key-Account manager then Director Sales and Marketing for the Can stock operation of Alcan in France from 2002 to 2008. From 2008 to 2011, he was General Manager in charge of the operations of the Swiss plants of Alcan Aerospace and Industry division. He joined Alba on 9th January 2011.

2.14 Shareholding by executive management: Currently, three of the Chief Officers hold Alba shares:

(1) Laurent Schmitt, Chief Executive Officer	13,888 ordinary shares
(2) Tim Murray, Chief Financial Officer	2,777 ordinary shares
(3) Isa Al Ansari, Chief Supply Chain Officer	2,000 ordinary shares

None of the above traded in their shares during 2011.

2.15 Remuneration paid to each person in the executive management divided in each case in salaries, perquisites, bonuses, gratuities, pension and any other components

Documents will be available for inspection through the General Counsel and Corporate Secretary of the Company subject to prior approval of the Chairman of the Board.



2.16 Details of stock options and performance linked incentives to Executives

The Company bought 3,000,000 ordinary shares at the concluded IPO in November 30, 2010 for all employees as part of stock incentive plan. The Company intends to distribute 1,000 shares to each employee following a 3-year vesting period. There are currently no additional stock incentives specific to Executives. Details of performance linked incentives will be available for inspection through the General Counsel and Corporate Secretary of the Company subject to prior approval of the Chairman of the Board.

2.17 Adoption of a Code - and how the Board monitors compliance

The Corporate Governance Code of the Kingdom of Bahrain (the "Code") has been adopted by the Board. The Board members intend to ensure compliance by the Company with the Code to the extent applicable. In November 2010, the Board Audit Committee endorsed to the Board a set of Corporate Governance Guidelines aligned with the Code. Compliance with the Code is monitored by the Board Audit Committee, utilizing reports prepared by the Company Secretary, and corporate governance audits by Internal Audit.

In December 2010, the Board approved a revised Code of Conduct of the Company, setting out required ethical conduct for all employees of the Company. The new Code of Conduct was launched across the Company in June and July 2011. Compliance with the Code of Conduct is monitored by Alba's Integrity Task Force, which reports directly to the Board Audit Committee through the Chief Internal Auditor, who acts as Chairman of the task force. Monitoring tools include an independently operated confidential hotline and reporting system.

3. Board Committees

A. Human Resources Committee (HRC)

The Company's HRC charter was approved by its Board of directors in March 2009. The purpose of the HRC is to generate a proposal on the Company's compensation structure for its Board of directors' consideration and to recommend and approve decisions related to human resources matters. The Company's Board of directors appoints members of the HRC. The three current members of the HRC are Mahmood Hashim Al Kooheji (Chairman), Fawzi Ahmed Kanoo, and A. Aziz Sulaiman Al Humaid.

In December 2010, the HRC Charter was revised to cover all the Nominating and Remuneration functions as recommended by the Corporate Governance Code of the Kingdom of Bahrain.

B. Board Audit Committee (BAC)

The Company's audit committee charter was approved by its Board of directors in March 2009. The purpose of the audit committee is to assist the Company's Board of directors in fulfilling its oversight responsibility with respect to (i) the integrity of the Company's financial statements and financial reporting process and its systems of internal accounting and financial controls, (ii) the annual independent audit of the Company's financial statements, the engagement of external auditors and the evaluation of the external auditors' qualifications, independence and performance, (iii) the appointment of an internal auditor and regular review of the internal audit function, (iv) the Company's



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compliance with legal and regulatory requirements, including its disclosure controls and procedures, and (v) the Company's compliance with its corporate governance processes. The Company's Board of directors shall appoint between three and five members of the audit committee, a majority of whom shall be non-executive directors, and all of whom must be financially literate, including at least one qualified and appropriately experienced accountant. The Chairman of the Company's Board of Directors shall not be a member of the audit committee. The current members of the audit committee are Yousif Taqi (Chairman), Sheikh Mohamed Bin Khalifa Al Khalifa, Osama M. Al Arrayedh, A. Aziz Sulaiman Al Humaid and Ahmed M. Al-Khamis.

Members of each Board and Committees divided into independent and not-independent; executive and non-executive categories

	Board Members	Board	Board Audit Committee	Board HR Committee	Categories of Directors	Reason
1.	Mahmood H. Al Kooheji, Chairman	Chairman		Chairman	Independent, Non-executive	Manager in sovereign Shareholder up until October 2011. CBB Module provides an exception whereby directors would not be classed as Executives in cases where they are Executives of a controlling sovereign company or government ministry.
2.	Fawzi A. Kanoo, Member	✓		✓	Not independent, Non-executive	Kanoo Travel (travel services provided by Kanoo Travel to Alba).
3.	Yousif A. Taqi, Member	✓	Chairman		Independent, Non-executive	
4.	Sh. Mohamed Bin Khalifa Al Khalifa, Member	✓	✓		Not independent, Non-executive	Director of NOGA and affiliates (incl. BAPCO, which is a supplier of Alba). Appointed CEO of The Oil and Gas Holding Company effective 11 Sept. 2011. Although the CBB advised Alba that the director could be classified as independent under the exclusion available for executives of "sovereign" entities, the Board has decided to classify him as 'not independent' in consideration of international norms of classification.
5.	Osama M. Al Arrayedh, Member	✓	✓		Independent, Non-executive	
6.	David E. Meen, Member	✓			Independent, Non-executive	
7.	Mutlaq H. Al Morished, Member	✓			Not independent, Executive	Manager in listed Shareholder. CBB responded in August 2011 that since SABIC is a listed company in Saudi Arabia they are not a sovereign, and directors of Alba that are officers or employees of this 'controlling shareholder' company are, therefore, deemed to be 'executives' of Alba. (under section HC-B.3) The CBB also confirmed that the CBB position is the same as that set out in the Corporate Governance Code, i.e.



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						deemed Executive can never be classed as independent.
8.	Homood A. Al Tuwajri, Member	✓			Not independent, Executive	As above in row 7.
9.	Abdulaziz S. Al Humaid, Member	✓	✓	✓	Not independent, Executive	As above in row 7 and Director GARMCO, a customer of Alba.
10.	Vacant					
11.	Ahmed M. Al Khamis, (not a Board Member. Mr. Khamis is a Member of the Board)		✓		Not Independent, Executive	As above in row 7.

At the 123rd Board Meeting on 14th September 2011, the Board determined the independence of directors based on the classifications set out by the MOIC Code and the CBB Module for the period 1 January 2011 to 31 December 2011. Directors must notify the Company if fulfillment of the criteria changes between the date of the Board Meeting in September and 31 December 2011, in which case the Director's independence will be reassessed at the following Board Meeting. As at the end of 2011, the classification of directors as per the table above are summarised as follows:

Board: 4 Independent, 6 Non-executive; 5 Not independent, 3 Executive

HR Committee: 1 Independent; 2 Non-executive; 2 Not Independent, 1 Executive

Audit Committee: 2 Independent; 3 Non-executive; 3 Not Independent; 2 Executive

Number of meetings per year: The HRC is required to meet at least twice a year or as needed. It held three meetings in 2011. The BAC is required to meet at least four times a year. It held four meetings in 2011.

Work of committees and any significant issues : The HRC and the BAC report their activities to the Board during the quarterly Board Meetings.

4. Corporate Governance

The Company began including a Statement on Corporate Governance in the printed annual report from the year ending December 2010. Reference is made to the company's compliance with the Corporate Governance Code.

In addition to improvements outlined elsewhere in this document, the following changes in Corporate Governance took place during the year:

- Re-classification of directors that are managers of controlling shareholders as *non-independent* following clarification associated with the CBB Module.
- In compliance with the Bahrain Bourse guidelines on key persons dealing and insider trading regulations issued by the Central Bank of Bahrain, Alba has issued policies on Key Persons Dealing/ Insider Trading to all Directors, Officers, and other key employees identified by the



Company. In 2011 Alba has established quarantine periods for trading in Alba Ordinary Shares or Global Depository Receipts (GDRs) shares to all Directors and Officers of the Company.

- Succession Planning – An annual review of succession plans for Executives is now built into the HRC and Board agendas. 2011 reviews took place in Q4.
- A Directors Manual was prepared for Directors.
- Independent external Board survey, evaluation and training - The Board arranged for an independent external Board survey and training workshop to be carried out during 2011 by the GCC Board Directors Institute. Feedback from the GCC Board Directors Institute was that Alba's Board was operating highly effectively, and that the company was a frontrunner in establishing corporate governance in the Gulf region. Actions are underway to implement improvement areas that arose from the survey and workshop.
- Code of Conduct - In December 2010, the Board approved a revised Code of Conduct, setting out required ethical conduct for all employees of the Company. This Code, which is on a par with leading international Codes of Ethics, was launched across the Company in June and July 2011. Compliance with the Code of Conduct is monitored by Alba's Integrity Task Force, which reports directly to the Board Audit Committee. Monitoring tools include an independently operated confidential hotline and reporting system that provides for reporting in multiple languages by phone and intranet 24 hours a day, every day.
- CEO and CFO Certification of financial statements – the CEO and CFO now produce a memo certifying each quarter's financial statements, as well as the year end financials.

5. Auditors

- The Internal Audit Department is headed by the Chief Internal Auditor and Risk Officer.
- The External Auditors of the Company for the audit year ended 2011 are Ernst & Young and the agreed audit fees for that year are BD68,200.
- E&Y did not provide any Non-audit services in 2011.
- The reappointment of Ernst & Young for the audit year ended 2011 was endorsed by the Shareholders at the Annual General Meeting on 30th March 2011, based upon the recommendation of Management, the Audit Committee and the Board.
- The memberships of the BAC and HRC are set out in section 3 of this report. Copies of the Charters of the Board and its 2 committees may be inspected at the Company's offices.

6. Related party Transactions

As of the audit year ended 2011, the Company had the following transactions with related parties:

The Company is able to operate its production facilities in the Kingdom of Bahrain pursuant to the terms of the Concession Agreement with the Government of Bahrain dated October 1, 1968, which grants the Company the non-exclusive right to construct and operate an aluminium smelter for a period of 50 years. Pursuant to the terms of the Concession Agreement, the Company makes royalty payments to the Ministry of Finance and Borrowings from the National Bank of Bahrain B.S.C.

BAPCO is the sole supplier of all the natural gas used as fuel in the Company's power stations. BAPCO is wholly owned by The Oil and Gas Holding Company B.S.C. (c), which is owned by the



Government of Bahrain, which also directly owns and controls Mumtalakat, the Selling Shareholder, which is the Company's single largest shareholder. In September 2011, Alba announced that it had been informed by Bapco that NOGA had issued a directive to increase the price of natural gas supplied to Alba from US\$1.50 per MMBTU to US\$2.25 per MMBTU effective 1 January 2012. This still remains well below internationally traded gas prices.

Approximately 50% of the land housing the Company's various facilities is licensed or leased to the Company by the Government of Bahrain or entities like BAPCO, which are wholly owned and controlled by it.

GARMCO is the Company's second largest customer and accounted for 14% of its sales for the year ended December 31, 2009 and for 15% for the six months ended December 31, 2010. As of the date hereof, Mumtalakat and SIIC own 37.36% and 30.28% of the shares in GARMCO, respectively. In 2007, the Company extended a long-term loan of BD 27.5 million to GARMCO for a period of ten years.

Potable water is a by-product of the Company's in-house calciner. Under the terms of a water supply agreement dated August 5, 2002, the Company sells approximately half of the water produced to the Government of Bahrain, acting through its Electricity and Water Authority. This contract is for a period of 25 years. The water is sold at the rate of 225 *fi*ls per cubic meter.

The electricity required by the Company's calciner is supplied by the national grid operated by the Bahrain Electricity and Water Authority.

Approval Process for Related Party Transactions

The Level of Authority (LOA) defines the limits of authority designated to specified positions of responsibility within the Company, including the authority to enter into binding commitments with third parties, including related parties.

7. Means of Communication with Shareholders and Investors

- Investors Relations will handle queries from shareholders and investors.
- The Company's web site is being revamped to include an Investors Relations section.
- The Company has appointed the Bahrain Bourse (formerly, the Bahrain Stock Exchange) to act as Share Registrar.
- The Company has appointed KPMG to provide share registrar support services.
- The Bahrain Bourse and London Stock Exchange web sites.
- Notices to Shareholders through publications in Arabic and English newspapers.
- The General Counsel and Corporate Secretary (Legal and Corporate Affairs) as the point of contact with MOIC, Bahrain Bourse, CBB and other regulatory bodies in Bahrain and the UK.



8. Management of Principle Risks and Uncertainties faced by the Business

These are set out in the printed Annual Report.

9. Review of Internal Control Processes and Procedures

The Board through the BAC is responsible for ensuring a sound and effective control environment. Monitoring of internal controls is provided through a number of internal and external assurance providers, including:

- Statutory Audit by our External Auditors, and discussion by the BAC of the results of the statutory audit, including a review of the financial performance, any changes to disclosure, a subsequent events review, important accounting matters and other internal control matters;
- Review and formal approval of the financial results by the CFO, CEO, BAC and Board;
- Monitoring by the Risk Management team, of progress against agreed actions for financial and other risks identified through the application of Alba's Board approved Enterprise Risk Management Framework, and with regard to the Risk Appetite set by the Board. The BAC reviews changes to the risk profile, together with progress on actions for key risks on a quarterly basis;
- Internal Audit Function, working from a risk-based annual internal audit plan covering key controls. The Chief Internal Auditor & Risk Officer (CIA&RO) reports directly to the BAC. The audit plan, budget, and methodologies are approved and monitored by the BAC. On a quarterly basis, the BAC reviews and discusses the internal audit findings, recommendations and agreed management actions, as well as progress made against prior audit findings. Additional private meetings are held between the BAC Chairman and the CIA&RO;
- Audits carried out by the National Audit Court, and by Shareholder Audit teams;
- Board and sub-committee approvals and monitoring of Operating, Financial, Manpower and other Plans; and
- Executive and Management monitoring activities (including the monitoring of Key Performance Indicators). Assurance is also provided through application of the Levels of Authority document for financial transactions, which are also enacted through financial reporting policies and procedures, and through IT controls in the financial reporting system. The revised Code of Conduct also sets out clear and specific expectations for accurate financial reporting.

10. Announcements of Results:

- Announcements of results in the press include at least the following: Balance sheet, income statement, cash flow statement, statement of comprehensive income and changes in shareholders' equity, Auditors report, Auditor's signature date and Board Approval date.
- As a public joint stock company the Company is subject to ongoing reporting requirements established by the Bahrain Commercial Companies Law, the MOIC, the CBB and the BHB.
- Results of annual financial review for the year ended should be released within sixty (60) days of the related year end.
- Results of quarterly financial review should be released within forty five (45) days of the related quarter.
- Annual General Shareholders Meeting should be within 90 days after the year end.



- Notice of Annual General Shareholders Meeting (AGM) should be published in the Arabic and English newspapers 15 working days prior to the AGM.

11. Directors Responsibilities for the Preparation of Financial Statements:

The Board of Directors has established and appointed an Audit Committee to assist the Board in fulfilling its oversight responsibility with respect to:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance; and
- Compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures.

12. Conflict of interest reporting

A member of the Board of directors is prohibited from voting in any meeting, or participating in any business operation or activity, in which the member has a conflict of interest with the company. In accordance with the MOIC Code and the CBB Module, abstentions are minuted. No such abstentions were made during 2011.

The Directors were requested to sign a memorandum (Interested Director Transactions) that (according to Bahrain Commercial Companies Law), a director may not:

- perform any gratuitous act using corporate assets, to the Company's detriment, except for reasonable gratuitous acts that benefit its employees or the community in which the Company is involved as part of its social responsibilities, or which might be authorized by the Board of directors, from time to time;
- receive, by virtue of his or her position, any direct or indirect personal benefit from third parties without express authorization in the Company's Memorandum and Articles of Association, or permission granted during a shareholders meeting;
- take part in a corporate transaction in which he or she has an interest that conflicts with the Company's interests, or in the deliberations undertaken by its directors on the matter;
- borrow money or property from the Company or use the Company's property, services or credit for his or her own benefit or for the benefit of a company or third party in which he or she has an interest, without prior approval granted in the Company's shareholders meetings or by its Board of directors;
- take advantage of any commercial opportunity for his or her own benefit or for the benefit of a third party at the Company's expense when he or she learned of such opportunity through his or her position as a director;



- neglect the protection of the Company's rights by failing to disclose a beneficial business opportunity with a view to exploiting the opportunity for personal gain, or for the benefit of a third party; and
- acquire in order to resell for profit, goods or rights that are essential to the Company's business operations, or that the Company intends to acquire.

13. Evaluation and assessment of the Board and Committees of the Board

For the year ended 2011, the Board and its two standing committees, the BAC and the HRC, conducted an annual self-evaluation and assessment using a set of questionnaires and a discussion of gaps and areas of improvement. The results of the assessments by the committees were reported to the Board. In addition, the Board arranged for an independent Board survey and training workshop to be carried out during 2011 by the GCC Board Directors Institute. Actions are underway to implement improvement areas that arose from the survey and workshop. Evaluations of individual directors are planned.

14. DOCUMENTS AVAILABLE FOR VIEWING

Copies of the following documents may be inspected at the Company's offices at King Hamad Highway, Askar Industrial Area, P.O. Box 570, Manama, Kingdom of Bahrain, during usual business hours from Sunday to Thursday, 6:30 AM-3:00 P.M. Point of Contact – the General Counsel and Corporate Secretary, Legal and Corporate Affairs Department subject to prior approval of the Chairman of the Board:

- the Company's Memorandum and Articles of Association;
- the remuneration paid to each person in the executive management divided in each case in salaries, perquisites, bonuses, gratuities, pension and any other components, as well as performance related incentives;
- the Board Charter;
- the Board Audit Committee Charter; and
- the Human Resources Committee Charter.

15. KEY DECISIONS BY DIRECTORS DURING 2011

- Alba has opened a branch in Winterthur, Kanton of Zurich, Switzerland and a Manager has been appointed to be based at this location, to oversee European Marketing.
- An office in Hong Kong to oversee Asian Marketing has been approved by the Board, but has not yet opened.