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# ALUMINIUM BAHRAIN B.S.C.

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(FOR PRESENTATION BY BOARD TO SHAREHOLDERS AT AGM IN FEBRUARY 2014)

## Corporate Governance Report for the year ending 31<sup>st</sup> December 2013

### CONTEXT

The Corporate Governance Code of the Kingdom of Bahrain (the “MOIC Code”) was issued in 2010 by the Ministry of Industry and Commerce (the “MOIC”). The Code requires public 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.

In July 2011, the Central Bank of Bahrain (the “CBB”) issued the Corporate Governance Module (the “CBB Module”) under the Capital Markets section of the CBB Rulebook. Certain sections of the CBB Module are extracts or expansions of the requirements found in the Code, and apply to all listed companies. Companies are required to report and explain any areas of non-compliance by way of an annual report to Shareholders and to the CBB. The CBB Module has been revised in subsequent years.

This report sets out Alba’s report as required by both the MOIC Code and the CBB Module. Corporate Governance Reports for this and for prior years, as well as Alba’s Board approved Corporate Governance Guidelines can be viewed by visiting Alba’s corporate website at [www.albasmelter.com](http://www.albasmelter.com)

### REPORT ON COMPLIANCE

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

1. The MOIC Code and the CBB 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 MOIC Code and the CBB Module, the Chairman of the Human Resources Committee 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 2<sup>nd</sup> member is classified as non-executive and independent. The 3<sup>rd</sup> 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’ classifications do not present actual conflicts of interests with the activities of the Human Resources 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 Board Audit Committee should be independent*. Currently in Alba, three of the five members of the Board Audit Committee are classified as non independent, per the restrictions in classification set out in the MOIC Code and the CBB Module. In the case of two of these, this is purely due to their positions as employees 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 3 Directors do not present conflicts of interests with the activities of the Board Audit Committee. The 2 remaining members, including the Chairman of the Board Audit Committee, are independent.

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3. As permitted by 2012 changes to the CBB Module, directors' remuneration is only provided in aggregate in the following pages, and is not detailed at an individual director level. Information regarding Executive Management Remuneration divided into salaries, perquisites, bonuses, gratuities, pension and any other components, which is now only requested in aggregate in the CBB Module, is not disclosed in this report but may be available for inspection through the General Counsel and Corporate Secretary of the Company subject to prior approval of the Chairman of the Board.
4. The Code recommends that one person should not hold more than 3 directorships in public companies in Bahrain. As set out in his profile, one of the directors, Mr. Fawzi A Kanoo, held directorships in 3 other public companies in Bahrain during 2013.

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

1. **Ownership of Shares:** On 23<sup>rd</sup> 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"). In particular they include:

- Setting and monitoring 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;

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- Monitoring conflicts of interest and preventing abusive related party transactions;
- Assuring equitable treatment of shareholders, including minority shareholders;
- 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 key Company policies;
- Setting the Management structure; Appointing or removing key executives and employees, determining their duties, setting their remuneration and incentive programmes, (ensuring that these are aligned with the longer terms interests of the Company), and overseeing succession planning;
- Forming Executive, Audit and other Committees, appointing their members and specifying their powers, and ensuring a formal board nomination and election process.
- Ensuring the integrity of the corporation's accounting and financial reporting systems, and that appropriate systems of control are in place, particularly for risk management, financial and operational control, and compliance with the law and relevant standards;
- Ensuring compliance with the relevant ongoing requirements relating to the issuing of securities, including obligations relating to disclosure, dissemination of price sensitive information, and the prevention of market abuse and insider trading;
- 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;
- Approving those matters reserved to the Board in the 'Levels of Authority' document approved by the Board from time to time.

### 2.2 Types of materials transactions that require Board approval

The Level of Authority (LOA) 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.

The LOA was updated in 2013 to reflect changes in the Executive Management, the documentation of authority levels applicable to Regional Offices, and other improvements such as the recommendations of the National Audit Court. The revised LOA was approved by the Board on 24<sup>th</sup> September 2013.

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### 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.

| Name                                  | Age | Member Since | Directorships of other Boards                                                                                                                                                                                                                                                                                       | Position                                                                                                                   |
|---------------------------------------|-----|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Mahmood Hashim Al Kooheji             | 55  | 2006         | Bahrain Mumtalakat Holding Company BSC (c)<br>Atbahrain BSC (c)<br>Gulf Aviation Academy BSC (c)<br>Falcon Group Holding BSC (c)<br>Durrat Khaleej Al Bahrain BSC (c)<br>Arab Petroleum Investment Corporation<br>Hawar Holding Company<br>Amber Holdings Limited<br>Gulf Air Holdings SPC<br>McLaren Group Limited | Board Director<br>Chairman<br>Chairman<br>Chairman<br>Director<br>Director<br>Director<br>Director<br>Chairman<br>Director |
| Fawzi A. Kanoo                        | 65  | 2005         | Bahrain Hotels BSC<br>Bahrain Ship Repairing & Eng. Co. BSC<br>National Bank of Bahrain<br>12 Bahrain Private Limited Companies<br>3 Foreign (non-Bahrain) Companies                                                                                                                                                | Director<br>Exec. Director<br>Director<br>Chairman/<br>Board Director                                                      |
| Yousif A. Taqi                        | 51  | 2008         | Al Salam Bank<br>Manara Development Company<br>North Star Holding<br>Shaikha Hessa Girls School<br>Pan Arabian Gourmet<br>Amar Holding<br>Tadhamon Islamic Bank                                                                                                                                                     | Director & CEO<br>Chairman<br>Chairman<br>Board Member<br>Owner<br>Chairman<br>Board Member                                |
| Sheikh Mohamed Bin Khalifa Al Khalifa | 38  | 2005         | BAPCO<br>NOGA and its Affiliates<br>Oil and Gas Holding Company                                                                                                                                                                                                                                                     | Director<br>Director<br>CEO                                                                                                |
| Osama M. Al Arrayedh                  | 50  | 1963         | None                                                                                                                                                                                                                                                                                                                | None                                                                                                                       |
| David E. Meen                         | 67  | 2005         | Kandilli Associates (Turkey)                                                                                                                                                                                                                                                                                        | Chairman                                                                                                                   |
| Mutlaq H. Al Morished                 | 56  | 2003         | Bank Gulf One<br>Saudi Kayan<br>Saudi Yansab<br>Alinma Tokio Marine<br>Alinma Investment                                                                                                                                                                                                                            | Board Member<br>Chairman<br>Chairman<br>Board Member<br>Chairman                                                           |
| Dr. Talaat Dafer Al Qahtani           | 57  | 2012         | None                                                                                                                                                                                                                                                                                                                | None                                                                                                                       |
| Abdulaziz S. Al Humaid                | 54  | 2009         | Gulf Aluminium Rolling Mills Co. (GARMCO)<br>National Industrial Gases Company (GAS)<br>Royal Commission Colleges & Institutes for Jubail and Yanbu                                                                                                                                                                 | Board Member<br>Chairman<br>Board Member                                                                                   |

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The appointments of the first 6 Directors were affirmed by Royal Decree on April 28<sup>th</sup> 2008, with no stipulated expiry date. All underwent a rigorous re-assessment of their independence during 2012.

**(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 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, Mr Al Kooheji 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, he was appointed as the Chief Executive Officer of Labour Fund (Tamkeen). Currently, Mr. Al Kooheji is the Chief Executive Officer of Bahrain Mumtalakat Holding Company B.S.C. (c). 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 is also a member of 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 Company B.S.C. He is currently the Group Board Director of Yusuf Bin Ahmed Kanoo, a multi-national organization, with offices throughout the Arabian Gulf. Mr. Kanoo is currently also a Director of three other Bahrain Public Shareholding Companies, namely: Bahrain Hotels Company, Bahrain Ship Repairing & Engineering Co., and National Bank of Bahrain. Prior to his current 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. He has also been the Chairman of Bahrain Airport Services. 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, and Board Member for Tadamon Capital, 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. 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

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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, Lulu Tourism (as its vice-chairman), Qatar-Bahrain Causeway Authority and the Sheikhha Hessa School. In September 2011 he was appointed Chief Executive Officer of the Oil & Gas Holding Company, a subsidiary of NOGA. He has also served as a Director on the Board of the Central Bank of Bahrain. 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, 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 2005, 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 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 received his Bachelor of Commerce degree from the University of Toronto in 1968. 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 & 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 October 2013, he began his tenure as a lecturer at Harvard's John F. Kennedy School of Government. In 2005, Mr. Meen was appointed as a member of the Alba Board of Directors.

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**(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 Saudi Basic Industries Corporation (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 on the Board of Bank Gulf One, Saudi Kayan, Saudi Yansab, Alinma Tokio Marine, and Alinma Investment. He received a bachelor's degree in Nuclear Physics and Mathematics from the University of Denver. He obtained his MBA from Stanford University, and MSc in Nuclear Engineering from Princeton University.

**(8) Abdulaziz S. Al Humaid.** Mr. Al-Humaid has 32 years of experience in the petrochemical and metal industries. Before taking up his current post as the Executive Vice President of SABIC Metals in November 2009, Mr. Al-Humaid was a Vice President of SABIC Metals and a former Company President of several SABIC affiliates such as the Saudi Iron and Steel Company (HADEED), Al-Jubail Petrochemical Company (KEMYA) and National Industrial Gases Company (GAS). In March 2009, he was appointed as a member of the Company's Board of Directors. He has in the past served as a member of the Audit committee, and is currently Chairman of the Human Resources committee. He is currently the Board Chairman of National Industrial Gases Company (GAS), a Board Member of the Royal Commission Colleges and Institutes for Jubail and Yanbu and the Gulf Aluminium Rolling Mill Company (GARMCO) in Bahrain.

Mr. Al-Humaid has held various positions in Arabian Petrochemical Company (PETROKEMYA) where he started his career in 1981; he served as Senior Vice President, General Operations Manager Hydrocarbons, and Section/Department Manager (Ethylene/Butene-1/Olefins Complex. He also served as the Board Chairman of HADEED and a Board Member of Power and Water Utility Company for Jubail and Yanbu (MARAFIQ). He acquired his BS degree in Chemical Engineering Science in 1981 from the King Fahd University of Petroleum and Minerals (KFUPM), Dhahran, Kingdom of Saudi Arabia.

**(9) Dr. Talaat Al-Dafer.** Dr. Al-Dafer was appointed as a Board Director of Alba on 12th June 2012. He currently holds the position of Vice President Corporate Strategy & Planning for the Kingdom of Saudi Arabia, Middle East & Africa Region at SABIC. Dr. Al-Dafer received his Doctorate Degree (PhD) in Quality Management from the Arabian Academy for Sciences, Technology & Maritime Transport, Alexandria, Egypt. He received a Master Science Degree in Information Studies from Loughborough University of Technology, United Kingdom in 1987, and a High Diploma in Economics & Working Methods from Davis University California, in 1983. In 1980, he obtained his Bachelor's Degree in Agricultural Sciences major in Food Industries from King Saud University, Riyadh, Kingdom of Saudi Arabia (KSA).

Dr. Al-Dafer served for eleven years in the Saudi Arabia Standard Organisation (SASO), KSA from 1985 up to 1996 both as the General Manager of the Information Center and also as the Branch General Manager of the Eastern & Western Province. Dr. Al-Dafer was selected by The Arab Industrial Ministers as Director General of Arab Industrial Development & Mining Organisation (AIDMO), an Arab League Institution serving 21 Arab countries in the field of industry mining and standardization from 1996 – 2006 in Rabat, Morocco. Dr. Al-Dafer also worked at the Ministry of Commerce and Industry, KSA and was an Advisor to His Excellency the Minister of Commerce and Industry in KSA. Before he joined SABIC, Dr. Al-Dafer also worked at the King Abdullah University of Science & Technology (KAUST) at Executive Management level and one of the Pioneer from 2008 – 2011.

During Dr. Al-Dafer's career in KSA, he has met and assisted several Arab leaders.

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**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, two Directors hold Alba ordinary shares:

- Mahmood H. Al Kooheji - 30,477 ordinary shares (no trading during 2013)
- Mutlaq H. Al Morished - 6,944 ordinary shares (no trading during 2013)

**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 Commercial Companies Law of the Kingdom of Bahrain (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, Article 175 of the "Law".
- 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.



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- 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 Article 175 of the “Law” 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.

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- 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 2013 were held on: 13 February; 12 June; 24 September, and 11 December.

### 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                      | 4 meetings |
| (7) Mutlaq H. Al Morished              | 4 meetings |
| (8) Dr. Talaat Dafer Al Qahtani        | 4 meetings |
| (9) Abdulaziz S. Al Humaid             | 4 meetings |

### 2.12 Attendance fees of Individual members divided into sitting fees and remuneration for 2013.

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 13 March 2013, 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 2012.

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.

| <u>Name</u>             | <u>Age</u> | <u>Position</u>          | <u>Date of First Appointment</u> | <u>Date appointed to Current Position</u> |
|-------------------------|------------|--------------------------|----------------------------------|-------------------------------------------|
| Timothy "Tim" J. Murray | 42         | Chief Executive Officer  | May 2007                         | October 2012                              |
| Ali Al Baqali           |            | Chief Financial Officer  | 1998                             | June 2013                                 |
| Isa A. Latif Al Ansari  | 49         | Chief Operations Officer | July 1983                        | June 2012                                 |
| Jean-Baptiste Lucas     | 42         | Chief Marketing Officer  | January 2011                     | January 2011                              |

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Below is a biographical summary of the members of the executive management at the end of 2013:

**Timothy “Tim” J. Murray, Chief Executive Officer.** Mr. Murray has been Chief Executive Officer of Alba since October 2012. He has been with Alba since 2007 when he joined as General Manager of Finance. During his time at Alba he has held the roles of Chief Finance & Supply Officer, Chief Financial Officer, and Chief Marketing Officer. Mr. Murray played an instrumental role in Alba’s IPO where the company listed on both the London and Bahrain Stock Exchanges in November 2010.

Before joining Alba, Mr. Murray spent ten years at ARC Automotive where in his last role he was Vice President and Chief Financial Officer.

Mr. Murray holds an MBA from Vanderbilt University and a Bachelor of Science in Accounting from Susquehanna University. He is a CPA and member of American Institute of CPAs. He has also attended various Executive Management Programs at Wharton and the University of Chicago Business Schools.

**Isa A. Latif Al Ansari, Chief Operations Officer.** Mr. Isa Al Ansari joined Alba in 1983. During his 30 years of distinguished and loyal service, he has held various managerial and technical positions in departments such as Operations, HR, Maintenance, ERP implementation and Supply Chain. He was promoted to the executive position of Chief Supply Chain Officer in April 2010. During his tenure he has been instrumental for strategic global sourcing of raw materials. He was a key member of the Line 5 project start up team.

In January 2011, he was given additional charge of Operations holding two key executive positions as Chief Operations Officer and Chief Supply Chain Officer till May 2012. Since June 2012, he holds the charge as Chief Operations Officer. His leadership and motivation helped the Operations departments to produce 900,000 metric tonnes of hot metal in 2012 without incurring any significant capital costs and using only in-house available skills, which is an all-time record production in Alba’s history of 42 years of operation.

He has trained and developed many nationals to take senior positions. He is a strong supporter of charity and humanitarian institutions.

Mr. Al Ansari holds a Bachelor’s degree with distinction in Electrical & Electronics Engineering from University Of Northumbria, Newcastle (U.K).

**Jean-Baptiste Lucas, Chief Marketing Officer.** Mr. Jean-Baptiste 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, and then joined Pechiney as a marketing analyst for the primary aluminium division based in Paris from 1998 to 2000. After a two-year stint as e-business development project manager for the corporate office, he then served first as Key-Account manager and then as Vice-President Sales and Marketing Rigid Packaging for the French and German operations of Alcan based in Neuf-Brisach, France between 2002 and 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 and relocated to Bahrain in January 2011, as member of the Executive Management in charge of metal casting operations, metallurgy, and worldwide sales and marketing as well as Operational Excellence. Mr. Lucas is a former Chairman of France Aluminium Recyclage (2008-2010), and a former Board member of EcoEmballage (2007-2009).

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**Ali Al Baqali, Chief Financial Officer.** Mr. Ali Al Baqali was appointed as Chief Financial Officer of Alba in June 2013. Mr. Al Baqali's CFO position still holds the responsibility of Supply Chain as he has extensive knowledge in Supply Chain. Prior to Mr. Al Baqali's confirmation as CFO, he was holding the position of Acting Chief Finance and Supply Officer from October 2012 up to June 2013. He started working in Alba in 1998 and rose to the position of a Manager until mid-2012.

Mr. Al Baqali graduated in B.S.C. Accounting from the University of Bahrain in June 2005 and holds a Diploma from the Chartered Institute of Purchasing & Supply (CIPS), U.K. in February 1998.

Currently, Ali is completing his MBA programme with a reputable French School, Essec. He is a member of MCIPS, U.K., ISO 9001 & ISO 14001 "Internal Auditor".

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

- |                                                 |                       |
|-------------------------------------------------|-----------------------|
| (1) Tim Murray, current Chief Executive Officer | 2,777 ordinary shares |
| (2) Isa Al Ansari, Chief Operations Officer     | 2,000 ordinary shares |

Neither of the above traded in their shares during 2013.

**2.15 Remuneration paid to the executive management divided into 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, which concludes in December 2013. 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**

Alba has adopted, and is committed to implementing both the Corporate Governance Code of the Kingdom of Bahrain (the "MOIC Code") issued in March 2010 by the Ministry of Industry and Commerce, and the Corporate Governance Module (the "CBB Module") of the Central Bank of Bahrain (issued in July 2011). The Company seeks, where applicable, to exceed the minimum requirements of the MOIC Code and the CBB Module, and to implement the additional recommendations and guidance of the MOIC Code, as well as other international best practice in Corporate Governance. The Company operates in line with a set of Board approved 'Corporate Governance Guidelines'. This document is fully aligned with the above MOIC Code, and is published on Alba's website. 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.

A Board approved 'Code of Conduct' for Alba, on par with leading international codes of ethics, and setting out required ethical conduct for all employees and representatives of the Company, has been launched across the Company by the Executive team through a comprehensive communication and

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training program. 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 that provides for reporting in multiple languages by phone and intranet 24 hours a day, every day. In the fourth quarter of 2012, Alba's development and roll out of the Code of Conduct and confidential employee reporting system was used as a best practice case study in a Pearl Initiative/ University of Cambridge study on transparency and ethics in the Middle East.

### **3. Board Committees**

#### **3.1 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. Until 23 September 2013, the three members of the HRC were Mahmood Hashim Al Kooheji (Chairman), Fawzi Ahmed Kanoo, and Abdulaziz Sulaiman Al Humaid. On 24 September 2013, at the 131<sup>st</sup> Alba Board Meeting, the Board approved to change the membership of the HRC to: Mr. Abdulaziz Sulaiman Al Humaid as the Chairman, and two members, namely: Mr. Mahmood . Al Kooheji and Mr. Fawzi A. Kanoo. The HRC Charter covers all the Nominating and Remuneration functions as recommended by the Corporate Governance Code of the Kingdom of Bahrain, and is currently under further review.

#### **B. Board Audit Committee (BAC)**

The Company's Board Audit Committee charter was approved by its Board of Directors in March 2009. The purpose of the Board 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 compliance with legal and regulatory requirements, including its disclosure controls and procedures, and (v) the Company's compliance with its corporate governance processes. The Board Audit Committee consists of between 3 and 5 members, appointed by the Company's Board of Directors. A majority of these are to be non-executive Directors, and all 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 Board Audit Committee. The members of the Board Audit Committee are Yousif Taqi (Chairman), Sheikh Mohamed Bin Khalifa Al Khalifa, Osama M. Al Arrayedh, A. Aziz Sulaiman Al Humaid, Dr. Talaat Dafer Al Qahtani (new Board Audit Committee Member as at June 2013), and Ahmed M. Al-Khamis. Mr. Abdulaziz S. Al Humaid ceased to be a member of the Board Audit Committee from 24 September 2013.

#### **C. Board Strategic Committee**

On 6 February 2012, the Board approved formation of the Alba Vision Line 6 Strategic Committee of the Board of Directors (BSC), composed of three Directors; the Chairman of the Board, Mr. Mahmood H. Al Kooheji, (who chairs the committee) and two other Board Directors, David E. Meen, and Mutlaq H. Al Morished.

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### 3.2 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 |                       | ✓                  | Independent, Non-executive     | Executive in sovereign Shareholder (Mumtalakat). 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 BAPCO, which is a supplier to Alba). Appointed CEO of The Oil and Gas Holding Company effective 11 September. 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     | Executive in a 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. a deemed Executive can never be classed as independent. |
| 8. | Abdulaziz S. Al Humaid, Member                                                      | ✓        |                       | Chairman           | Not independent, Executive     | As above in row 7 and Director GARMCO, a customer of Alba.                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 9  | Dr. Talaat Dafer Al Qahtani                                                         | ✓        | ✓                     |                    | Not independent, Executive     | As above in row 7.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 10 | Vacant                                                                              |          |                       |                    |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 11 | Ahmed M. Al Khamis, (Member of the Board Audit Committee but <u>not</u> the Board ) |          | ✓                     |                    | Not Independent, Executive     | As above in row 7.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

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At the Board meeting held on 11 December 2013, 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 2013 to 31 December 2013. As at the end of 2013, the classification of Directors as per the table above are summarised as follows:

Board: 9 members: 4 Independent, 6 Non-executive; 5 Not independent, 3 Executive  
HR Committee: 3 members: 1 Independent; 2 Non-executive; 2 Not Independent, 1 Executive  
Audit Committee: 5 members: 2 Independent; 3 Non-executive; 3 Not Independent; 2 Executive  
Strategic Committee: 3 members: 2 Independent; 2 Non-executive; 1 Not Independent; 1 Executive

**3.3 Number of meetings per year:** The HRC is required to meet at least twice a year or as needed. It held three meetings in 2013. The BAC is required to meet at least four times a year. It held four meetings in 2013. The BSC held two meetings in 2013.

**3.4 Work of committees and any significant issues :** The HRC, BSC 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 Ministry of Industry & Commerce's Corporate Governance Code, and the Central Bank of Bahrain's Corporate Governance Module.

#### 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 2013 are Ernst & Young and the agreed audit fees for that year are BD 72,600.
- E&Y did not provide any Non-audit services in 2013.
- The reappointment of Ernst & Young for the audit year ended 2013 was endorsed by the Shareholders at the Annual General Meeting on 7 March 2013 based upon the recommendation of Management and the Board Audit Committee.
- Copies of the Charters of the Board, the BAC and the HRC may be inspected at the Company's offices.

#### 6. Related party Transactions

As of the audit year ended 2013 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

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Government of Bahrain, which also directly owns and controls Mumtalakat, 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 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, accounting for around 15% of annual sales in recent years. As of the date hereof, Mumtalakat and SIIC respectively own 37.36% and 30.28% of the shares in GARMCO. 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*s 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 handles queries from shareholders and investors as well as press releases.
- Relevant communications are posted on the Investors Relations section of the Company's website.
- The Company has appointed the Bahrain Bourse (formerly, the Bahrain Stock Exchange) to act as its Share Registrar.
- The Company has appointed Fakhro Karvy to provide share registrar support services.
- Required notifications are made to the Bahrain Bourse and London Stock Exchange for publishing on their web sites.
- Notices to Shareholders are provided through publications in Arabic and English newspapers.
- Notices to GDR Shareholders are provided through the regulatory information services of the UK Financial Services Authority, FIS.
- The General Counsel and Corporate Secretary (Legal and Corporate Affairs) is the point of contact with MOIC, Bahrain Bourse, CBB and other regulatory bodies in Bahrain and in the UK.



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### 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 Board Audit Committee (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 Chief Executive Officer, Chief Financial Officer, Board Audit Committee 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 Board Audit Committee 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, and reporting directly to the Board Audit Committee. The audit plan, budget, and methodologies are approved and monitored by the Board Audit Committee. On a quarterly basis, the Board Audit Committee 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 Board Audit Committee Chairman and the Chief Internal Auditor and Risk officer.
- Audits carried out by the National Audit Office and by Shareholder Audit teams;
- Board and sub-committee approvals and monitoring of Operating, Financial, Manpower and other Plans;
- 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, Alba is subject to ongoing reporting requirements established by the Bahrain Commercial Companies Law, the Ministry of Industry and Commerce (MOIC), the Central Bank of Bahrain (CBB), and the Bahrain Bourse.
- Results of annual financial review for the year ended should be released within sixty (60) days of the related year end.

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- 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.
- Alba has continuing obligations for a non-EU company with a listing of Global Depository Receipts (GDRs) on the Main Market of the London Stock Exchange. Under UK regulations, Alba is required to publish its annual report as soon as possible after it has been approved and no later than four months after the end of its financial year (i.e. by 30 April) through the regulatory information service of the UK Financial Services Authority (RIS). The annual report must include a management report and a responsibility statement, in addition to the audited consolidated financial statements.

### 11. Directors Responsibilities for the Preparation of Financial Statements:

The Board of Directors has established and appointed a Board 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 2013.

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;

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- 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 2013, 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. The Board of Directors attended a tailored workshop on 23 September 2013 conducted by GCC Board Directors Institute (BDI). Feedback from the BDI on the effectiveness of Alba's Board and corporate governance processes was very positive, and indicated that Alba was both well above regional benchmarks, and had made significant progress since a similar review in 2011, across most elements of Corporate Governance.

### **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 combined remuneration paid to 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, Board Audit Committee, and Human Resources Committee Charters

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### 15. Key Decisions by Directors during 2013, including any abstentions or objections

- Recommendations to pay dividend payments to shareholders in April 2013 for the financial year ended 31 December 2012, and in August 2013 for interim dividends for the financial year 31 December 2013.
- Appointment of Mr. Ali Al Baqali as the Chief Financial Officer effective June 2013.
- The Board approved to submit a bid to the execution sale of assets and the lease rights of Jawed Textiles subject to approval of Ministry of Industry and Commerce (MOIC) that was held on 16 May 2013 at the Courts of the Kingdom of Bahrain. Obtaining the lease rights occupied by Jawed Textiles shall benefit Alba's Line 6 Project. Line 6 Project Director, Mr. Shawqi Al Hashimi, as per recommendation of Management, was delegated to represent Alba during the bidding. The final bid amount was BHD4.8 Million.
- The Board approved the request of Management to increase the investment limit from BHD5 Million to BHD10 Million with market maker, Securities & Investment Company B.S.C. (c) (SICO). Over the past three years Alba has utilized BHD4.5M for market making with the limit of BHD5M. SICO is trading on Alba's behalf based upon guidance received from Alba.