



## 2010 Corporate Governance Report

### Context

The Code of Corporate Governance (the "Code") was issued in March 2010 by the Ministry of Industry and Commerce (MOIC). Full compliance is required for Bahrain public companies by end 2011. Principle 8 of the Code calls for companies to adopt written corporate governance guidelines covering the matters stated in the Code, to report annually to their shareholders on their compliance with those guidelines and the Code, and to explain to the shareholders if it has varied them or believes that any noncompliance was justified.

### Report

The Board of Directors of Alba approved for implementation the Corporate Governance Guidelines endorsed by the Board Audit Committee at the 120<sup>th</sup> Alba Board Meeting on 1<sup>st</sup> December 2010.

The guidelines will be published on the website of Alba with effect from Q1 of 2011.

The Board will deliver the Company's first Corporate Governance Report at the 40<sup>th</sup> Alba Shareholders Meeting on 30<sup>th</sup> March 2011. Details of the Corporate Governance Report can be viewed by visiting [www.albasmelter.com](http://www.albasmelter.com).

Currently, the Board Audit Committee, supported by the Chief Internal Auditor and the General Counsel/Corporate Secretary, oversees and monitors the Corporate Governance compliance of the Company.

Alba currently complies with all the elements of the Code, with the exception of the composition of the HR Committee with regard to directors' independence as discussed below.

The Code states that *the Nomination Committee 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, two of the three directors who are members of the HRC would not be classed as independent, per appendix A of the Code, due in one case, to the fact that such director is also a director of a major customer of the Company, and in the other case, to the fact that such director is a 10% or more shareholder of a company that received from the Company payments of more than 31,000 BD annually. There is an argument to be made that these specific circumstances that lead to the members of the HR Committee being classed as not independent, do not present actual conflicts of interests with the activities of the HR Committee, in contrast to a situation where an executive of the Company were to sit as a director on the HR Committee and thus have a role in determining his own compensation, which would clearly be a conflict of interest (and which is not the case here).

We also draw attention to the fact that the Board has determined that those directors employed by the Company's major shareholders (Bahrain Mumtalakat Holding Company and Sabic Industrial Investments Company) who successfully meet the criteria for independence set out in appendix A of the Code, are to be classed as independent. This has been based on advice received from the Ministry of Industry and Commerce that in the case of a company such as Alba, directors would not automatically be prevented from being classed as independent simply by virtue of the fact that they are members of management of shareholding companies.

CEO succession planning has been specified as a responsibility in the HR Committee's Charter, and has been included in the annual Board agenda for Q2 2011.

Board training has been built into the annual Board agenda timetable for Q2 2011 and an appropriate event is in the process of being scheduled for this year.

Some information requested in Appendix E of the Code, 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.



## Appendix E Disclosures Required by the Code

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; J. P. Morgan (for GDR holders)

Shareholders' Agreement, dated 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 shall be those established by the Corporate Governance Code and the Commercial Companies Law of the Kingdom of Bahrain and the Memorandum and Articles of Association of the Company (the "Articles") and in particular shall include:

- The overall business performance and 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; and
- Assuring equitable treatment of shareholders, including minority shareholders



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

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

<b>1</b>	<b>Business Strategy</b>
1.1	Investment and expansion projects above monetary thresholds in accordance with capital expenditure policy approved by the Board and referred to in section 5.4 of the Company’s Level of Authority (LOA).
1.2	Sales and purchase contracts (materials and services) greater than 5 years and, in some instances, above certain monetary thresholds and contract quantities in accordance with the LOA.
1.3	Equity and dividend related recommendations for Shareholders’ approval
1.4	Recommendation of acquisitions, mergers, diversification, divestment and other business combination related decisions for Shareholders’ approval
1.5	Strategic hedging strategies
1.6	Cumulative short term borrowing limits
<b>2.</b>	<b>Strategic &amp; Operating Plans and Forecast</b>
2.1	Strategic plan
2.2	Annual operating plan
2.3	Periodic forecast presented for the Board’s approval
<b>3.</b>	<b>Company Policy</b>
3.1	Levels of authority
3.2	Code of conduct
3.3	Tender policy
3.4	Human resource policy for Executives and Managers and other matters as per HR Committee Charter
3.5	Capital expenditure policy

**2.3 Names, capacity of representation and 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. One director is to be elected at the next Shareholders Meeting in following the March 2011 Shareholders Meeting.

<b>Name</b>	<b>Age</b>	<b>Position/ Status</b>	<b>Date of First Appointment</b>	<b>Current Term Expires</b>
Mahmood Hashim Al Kooheji	52	Chairman/ Independent	2006	April 27, 2011
Fawzi Ahmed Kanoo	62	Member	2005	April 27, 2011
Sheikh Mohamed Bin Khalifa Al Khalifa	35	Member	2005	April 27, 2011
Osama M. Al Arrayedh	47	Member/ Independent	2006	April 27, 2011
David E. Meen	64	Member/ Independent	2005	April 27, 2011
Yousif Taqi	48	Member/ Independent	2008	April 27, 2011
Mutlaq H. Al-Morished	53	Member/ Independent	2003	May 1, 2012
Homood Al Tuwajiri	47	Member/ Independent	2008	March 26, 2014
A. Aziz Sulaiman Al Humaid	51	Member	2009	November 30, 2013



**Directorships of other Boards:**

<b>Name</b>	<b>Company</b>	<b>Position</b>
Mahmood Hashim Al Kooheji	Hawar Holding Company Bahrain Technology Institution Arab Petroleum Investment Corporation Bahrain Flour Mills Company Durrat Khaleej Al Bahrain Company McLaren Bahrain Development Bank	Chairman Chairman Board Director Board Director Board Director Board Director Board Director
Fawzi A. Kanoo	Bahrain Airport Services B.S.C. Bahrain Ship Repairing and Engineering B.S.C. Kanoo Group of Companies and Affiliates	Chairman Executive Director  Top Level Positions from Managing Director to Chairman
Yousif A. Taqi	Al Salam Bank	Director and CEO
Sheikh Mohamed Bin Khalifa Al Khalifa	National Oil and Gas Authority (NOGA) NOGA Holding Companies and Affiliates Central Bank of Bahrain	Board Member Board Member Board Member
Osama M. Al Arrayedh	Gulf Organization for Industrial Consultancy	Board Member
David E. Meen	Meen Partners	Chairman
Homood A. Al Tuwaijri	Al Jubail Petrochemical Company Saudi Yanbu Petrochemical Company Power & Utility Company for Jubail & Yanbu National Commission for Wildlife Conservation and Development	Chairman Chairman Board Member  Member
Mutlaq H. Al Morished	None	
Abdulaziz S. Al Humaid	Saudi Iron and Steel Company (HADEED), a Sabic Affiliate National Industrial Gas Co., a Sabic affiliate Marafiq, Jubail Garmco, Bahrain	Chairman Chairman Board Member Board Member



**(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.

In July 2006 he was appointed as the Deputy Chief Executive Officer of Mumtalakat and he continues to hold that position. In 2006, he was appointed as a member of the Company's board of directors and was appointed as the Chairman in 2008. Mr. Al Kooheji chairs the Board Human Resources Committee. He was also serves on the board of directors of a number of companies both in the Kingdom of Bahrain as Chairman in Hawar Holding Company, Bahrain Technology Institution; as Board Director in Arab Petroleum Investment Corporation, Bahrain Flour Mills Company, Durrat Khaleej Al Bahrain Company, Bahrain Development Bank; and McLaren. 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. He is a member of the Board Human Resources Committee. In addition to being one of the Company's directors, he serves on the board of directors of a number of companies in the Kingdom of Bahrain: As Chairman in Bahrain Airport Services B.S.C.; Executive Director in Bahrain Ship Repairing and Engineering B.S.C. Mr. Kanoo is the Group Board Director of Yusuf Bin Ahmed Kanoo, a multi-national organization, having offices throughout the Arabian Gulf and the Kingdom of Saudi Arabia. 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) 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 has 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 Sheikhha Hessa School. 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 fall 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 Honors) in spring 1996, and an International Baccalaureate Diploma, Geneva, in July 1992.



**(4) 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. Mr. Al Arrayedh was appointed as a member of the Company's board of directors in 2006 and member of 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.

**(5) 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, in 1973, he joined the Toronto Office of McKinsey & Company. He spent his first 18 years with McKinsey in Canada, including the last eight and one half years 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, more broadly, in 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.

**(6) 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) and ASB Biodiesel (Hong Kong) Limited, affiliates of Al Salam Bank Bahrain, and also a member of the board of directors of Al Salam Bank Bahrain. Prior to joining 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 as a partner of 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.

**(7) Mutlaq H. Al Morished.** Mr. Al Morished has extensive experience in the field of corporate finance. Before taking up his current position as 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. 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 that its profit grew in a sustainable manner. In addition, Mr. Al Tuwajiri is currently Chairman of: the Board of Directors of Al Jubail Petrochemical Company (Kemya), the Board of Directors of Saudi Yanbu Petrochemical Company (Yanpet), the Marafiq Board Executive Committee, the SABIC Executive Steering Committee for Global Supply Chain Project, and the SABIC Executive Steering Committee for Business Process & Data Quality Governance. Mr. Tuwajiri also serves as a member of: the Saudi Arabian National Committee for Clean Development, the Saudi Arabian National Committee for Biodiversity, the Board of Directors of the Power & Water Utility Company for Jubail & Yanbu (Marafiq), the Marafiq Board Audit Committee, the Board of Supervisory Directors of SABIC Capital B.V., and the SABIC Sustainability Committee. In 2008, Mr. Al Tuwajiri was appointed as a member the Company's board of directors. Mr. Al Tuwajiri 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 Vice President of Metals of SABIC in April 2009, he was the President of Saudi Iron and Steel Company. In 2009, he was appointed as a member of the Company's board of directors and member of both Board Committees: Audit and Human Resources. He also serves as the chairman of Saudi Iron and Steel Company and the National Gas Industrial Gases Company. He is also the member of the board of directors of the Gulf Aluminium Rolling Mills Co. (GARMCO), Marafiq- Jubail, Kingdom of 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 Director's ownership of shares:** Currently, two directors are holding Alba ordinary shares:

- Mahmood H. Al Kooheji - 30,477 ordinary shares
- Mutlaq H. Al Morished - 6,944 ordinary shares

**2.5 Election system/Termination Arrangements of directors**

#### **Election system**

1. The Company shall be administered by a Board of Directors consisting of 10 (ten) directors to be appointed and/or elected respectively 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.
2. 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.

3. 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.
4. 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.
5. 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.
6. No person shall be appointed or elected to membership of the Board of Directors unless he consents in writing thereto.

#### **Termination arrangements of directors**

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

1. If he was appointed or elected contrary to the provisions of the Law or the Articles of Association.
2. If he loses any of the qualifying conditions referred to in Article 23 above or in Articles 173 and 174 of the Law.
3. If he misuses his position as director in carrying on business that is competitive to that of the Company or if he causes actual damage to it.
4. 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.





5. 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.
6. 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 at a suitable time.

## 2.6 Directors trading of company shares during the year

The two directors holding shares in the Company, Mahmood H. Al Kooheji (30,477 ordinary shares) and Mutlaq H. Al Morished (6,944 ordinary shares) did not trade their shares in 2010 following the initial purchase of such shares.

## 2.7 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 2010 were held on: 31 March, 9 June, 1 September, and 1 December.

## 2.8 Attendance of Directors at each Board Meeting

(1) Mahmood H. Al Kooheji, Chairman	4 meetings
(2) Fawzi A. Kanoo	3 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) Homood A. Al Tuwajiri	4 meetings
(9) Abdulaziz S. Al Humaid	4 meetings

## 2.9 Attendance fees of Individual members divided into sitting fees and remuneration for the year 2010.

The total amount of attendance fees (including sitting fees and air travel reimbursement) for the year 2010 is BD50,238./=



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.

Attendance allowance of BD Five Hundred per meeting was a decision by the Board in the 2007 Board Meeting dated 15 April 2007 (105th Alba Board Meeting).

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

One Board Director based outside Bahrain (Istanbul) was paid at cost (reimbursement signed by the Chairman).

**2.10 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 general policies and guidelines set forth by the Company's board of directors.

<b>Name</b>	<b>Age</b>	<b>Present/Previous Position</b>	<b>Date of First Appointment</b>	<b>Date of New Position</b>
Laurent Schmitt	52	Chief Executive Officer	January 2010	-
Timothy "Tim" J. Murray	39	Chief Financial Officer	May 2007	July 2009
Isa A. Latif Al Ansari	46	Chief Supply Chain Officer/ Acting Chief Operating Officer	July 1983	December 2009  February 2011
Jean Claude Baptiste	39	Chief Marketing Officer	January 2011	-

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

**Laurent Schmitt, Chief Executive Officer.** Mr. Schmitt has over 35 years of experience in the 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 Technical Fibers and Member of the Operational Committee of the Rhodia Group and was a Member of Rhodia Group Management Committee, prior to joining as the Company's Chief Executive Officer in January 2010. Mr. Schmitt obtained his diplomas in engineering from the prestigious Ecole Polytechnique (France) in 1986. Mr. Schmitt obtained the Engineer Degree of the prestigious Ecole Polytechnique (France) in 1986 and of the Ecole Nationale Supérieure 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 one of the 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 9<sup>th</sup> January 2011.

**2.11 Shareholding by executive management:** Currently, there are three Chief Officers who are holding Alba ordinary 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

**2.12 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.



### 2.13 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.

### 2.14 Adoption of the Code - and how the Board monitors compliance with the Code

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 is being launched across the Company in March 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. Names of Board Committees, functions, members, actual meetings per year, and remunerations

### 3.1 Names of the Board Committees/3.2 Functions of each Committee

#### A. Human Resources Committee (HRC)

The Company's human resources committee charter was approved by its board of directors in March 2009. The purpose of the human resources committee 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 shall appoint three members of the human resources committee, which includes the Chairman of the Company's board of directors. The current members of the human resources committee are Mahmood Hashim Al Kooheji (Chairman), Fawzi Ahmed Kanoo and A. Aziz Sulaiman Al Humaid.

In December 2010, the HR Charter was revised to include 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 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.

**3.2 Members of each Committee divided into independent and non-independent**

<b>Committees</b>	<b>Independent</b>	<b>Not Independent</b>
Human Resources Committee (HRC)	Mahmood H. Al Kooheji	Fawzi A. Kanoo (travel services provided by Kanoo travel to Alba)  Abdulaziz S. Al Humaid (directorship of Garmco, a major customer of Alba)
Board Audit Committee (BAC)	Yousif A. Taqi  Osama M. Al Arrayedh  Ahmed M. Al Khamis	Sh. Mohamed Bin Khalifa Al Khalifa (directorship of NOGA, parent company of BAPCO, the supplier of all of the Company's natural gas)  Abdulaziz S. Al Humaid (directorship of Garmco, a major customer of Alba)

**3.3 Minimum number of meetings per year:** HRC – at least twice a year or as needed; BAC: at least four times a year.

**3.4 Actual number of meetings:** The HRC held five meetings in 2010. The BAC held five meetings in 2010.

**3.5 Work of committees and any significant issues arising during the period**

The Human Resources Committee and the Board Audit Committee report their activities to the Board on a quarterly basis – during the Board Meeting.

**4. Number and Names of Independent Directors**

At the 119th Board Meeting on 1st September 2010, the Board determined the independence of directors based on the questionnaires provided in Appendix A of the Corporate Governance Code of Bahrain and the look back period of Alba from January 1, 2010-December 31, 2010. Director must



notify the Company if his fulfillment of the criteria changes between the date of the Board Meeting in September and 31 December 2010, in which case the Director's independence will be reassessed at the following Board Meeting.

**5. Board Terms and Start Date of Each Term – Article 22: 1, 2, 3, 4, & 5 describe the terms of Board Directors and the start of each term:**

- Bahrain Mumtalakat Holding Co. with its percentage share of 69.38% is entitled to appoint six directors. The current term of Mumtalakat-appointed directors expires in April 2011.
- Sabic Industrial Investments Company with its percentage share of 20.62% is entitled to appoint two directors. The current term of Mr. Al Morished expires in 2012; Mr. Al Tuwajiri's term expires in March 2011.
- One director, Mr A. Aziz Sulaiman Al Humaid resigned during 2010, and was subsequently elected for a 3-year term at the Shareholders Meeting on 1 December 2010 by all shareholders present exercising their free shares.

**6. Corporate Governance**

**6.1 Separate section in the Annual Report**

The Public Relations Department will include a section of Corporate Governance in the printed annual report starting year audit ended 2010. The annual report is in planning stage, ready for review early March 2011.

**6.2 Reference to Corporate Governance Code and its Principles**

**6.3 Changes on the CGC that took place during the year based on the summary of gaps and actions in the internal audit of corporate governance**

- Creation of a Board Charter
- Assessment and disclosure of Director conflicts and independence
- Evaluate Board performance and performance of each committee and individual director
- Financial statements will be certified by the CEO and CFO for the audit year ended 2010
- Revision of the Human Resources Committee Charter to reflect Nomination and Remunerating functions
- The agenda item to review annual succession plan by the board built into annual board timetable
- Report on the Company's compliance with its corporate governance guidelines and the Corporate Governance Code of Bahrain
- Creation of Corporate Governance Guidelines
- Include Corporate Governance Section in the Annual Report

**7. Auditors**

**7.1 The charters and list of members of the external and internal audit; Nominating and Remuneration Committees to the Board**

- The External Auditors of the Company for the audit year ended 2010 are Ernst & Young and the agreed audit fees for that year are BD55,000/=



- The Internal Audit Department is headed by the Chief Internal Auditor and Risk Officer
- The Human Resources Committee (HRC) is composed of three members: The Chairman of the Board and two Board Directors.
- Audit Fees: The shareholders decide at the Annual General Meeting on 30th March 2011.
- Non-audit services (consultancy fees) provided by the External Auditors, E&Y in November 2010 which includes services done during the IPO process and review of Level of Authority was BD182,915/=.
- Reason for any switching of auditors and reappointing of auditors: The reappointment of Ernst & Young for the audit year ended 2010 was decided by the Shareholders at the Annual General Meeting on 31<sup>st</sup> March 2010, based upon the recommendation of the Management to the Board Audit Committee (BAC), and the BAC reviews the recommendation for endorsement at the Shareholders Meeting.

## **7.2 Conflict of interest – any issues must be reported.**

- There was no report of incidents that contradicted the provision in Bahrain Commercial Companies Law, which states that a member of the board of directors is prohibited from voting in any meeting, or participating in any business operation or activity, in which he has a conflict of interest with the company.
- The Corporate Governance Code of Bahrain recommends that abstentions should be recorded and disclosed in Annual Report. Abstentions must be minuted.
- 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.

#### **8. Self-evaluation and assessment of the Board and Committees of the Board**

For the year ended 2010, the Board and its two standing committees: Board Audit Committee and Human Resources Committee conducted an annual self-evaluation and assessment using a set of questionnaires.

#### **9. Assessment of individual board directors with respect to their effectiveness and contribution**

This exercise is part of self evaluation and assessment of the Board conducted on 28 February 2011.

#### **10. Announcement of the results in the press to include the following:**

##### **10.1 Balance sheet, Income statement, Cash flow statement, change in shareholders' equity, statement of comprehensive income**

- As a public joint stock company the Company is subject to ongoing reporting requirements established by the Bahrain Commercial Companies Law, the Ministry of Industry and Commerce ("MOIC"), CBB and BSE.
- 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.





## **OTHERS: (1) RELATED PARTY AND CERTAIN OTHER TRANSACTIONS**

As of the audit year ended 2010, 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.

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 *fil*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.

## **(2) 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. This includes short and long term decision making and causing the Company to enter into binding commitment with third parties.

## **(3) 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 Investors Relations link.
- 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 Stock Exchange and London Stock Exchange web sites.



- Notice 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, BSE, CBB and other regulatory bodies in Bahrain and the UK.

#### **(4) MANAGEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE BUSINESS**

To be included in the printed Annual Report.

#### **(5) REVIEW OF INTERNAL CONTROL PROCESSES AND PROCEDURES**

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

- Statutory Audit by our External Auditors;
- External and Internal Audits required for our ISO qualifications, regulatory audits, reviews by our Insurance partners, and audits performed by Alba's Safety, Environment & Security Function;
- Reviews by the Legal Department;
- Monitoring by the Risk Management department, of progress against agreed actions for key risks identified through the application of Alba's Board approved Enterprise Risk Management Framework. The BAC reviews changes to the risk profile, together with progress on actions for key risks on a quarterly basis.
- Internal Audit Function, working against a risk-based annual internal audit plan covering key controls. The Chief Internal Auditor & Risk Officer (CIA&RO) reports directly to the BAC, and the audit plan, budget, methodologies are approved and monitored by the Committee. 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. Regular meetings are held between the BAC Chairman and the CIA&RO to discuss any matters that the Committee or Internal Audit believes should be discussed separately.
- Ethical reports submitted quarterly to the BAC by the Chairman of Alba's Integrity Task Force (the CIA&RO), including the results of any fraud investigations, and issues raised through the independent confidential reporting line.
- Audits carried out by the National Audit Court, and by Shareholder Audit teams
- Board and sub-committee review of key policies, such as the Code of Conduct, Levels of Authority, and the Tender, Capital Expenditure, HR and Enterprise Risk Management Policies, as well as the approval and monitoring of Strategies, and Operating, Financial, Manpower and other Plans.
- Executive and Management monitoring activities (including the monitoring of Key Performance Indicators).



**(6) ANNOUNCEMENT OF THE RESULTS IN THE PRESS SHOULD INCLUDE AT LEAST THE FOLLOWING:**

- A.** Balance sheet, income statement, cash flow statement, statement of comprehensive income and changes in shareholders' equity
- B.** Auditors will be decided at the Annual General Meeting of Shareholders on 30 March 2011.
- C.** Auditor's signature date – preceding the AGM on 30 March 2011.
- D.** Board Approval date: scheduled on 28<sup>th</sup> February 2011.

**(7) DIRECTORS RESPONSIBILITY WITH REGARD TO 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
- The appointment of an internal auditor and the regular view of the internal audit function
- Compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures
- Compliance with the Company's Corporate Governance processes
- 

**(8) CONFLICTS OF INTEREST –ANY ISSUES MUST BE REPORTED**

Please refer to item 7.2., page 15.

**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
- the Human Resources Committee Charter