



CORPORATE GOVERNANCE FRAMEWORK

Muharraaq STP Company B.S.C. (c)



TABLE OF CONTENTS

1. INTRODUCTION.....	3
2. CORPORATE GOVERNANCE FRAMEWORK.....	3
3. CORPORATE GOVERNANCE PRINCIPLES	4
4. SHAREHOLDERS OVERSIGHT AND RESPONSIBILITIES	5
5. ROLES OF THE BOARD AND MANAGEMENT.....	5
6. TERMS OF REFERENCE	7
7. ETHICS POLICIES AND GUIDELINES.....	7
8. DIRECTORS INDUCTION AND TRAINING POLICY.....	8
9. BOARD OF DIRECTORS / COMMITTEE'S PERFORMANCE ASSESSMENT FRAMEWORK.....	8
10. AMENDMENTS TO THE POLICY.....	8

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1. INTRODUCTION

The purpose of the Corporate Governance Framework (‘the Framework’) is to outline the corporate governance structure and framework for Muharraq STP Company B.S.C. (c) (the “Company”). This Framework, together with the Memorandum of Association and Articles of Association, details the authority and governance practices for the Company.

This Framework should be read in conjunction with the Company’s Memorandum and Articles of Association and other governance documents.

2. CORPORATE GOVERNANCE FRAMEWORK

The Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how the risk is monitored and assessed, and how the performance is measured and optimized.

Shareholders elect members of the Board of Directors (the Board) to represent their interests. The Board, as a supervisory body, essentially provides strategic direction to, and control over the Company’s managers. Managers are accountable to this supervisory body, which in turn is accountable to shareholders through the Annual General Meeting.

The policies and procedures detailed in the following documents enable establishment of a sound corporate governance system at Muharraq STP Company:

- Board of Directors Charter
- Audit Committee Charter
- Nomination, Remuneration and Governance Committee Charter
- Directors Code of Conduct
- Conflict of Interest Policy
- Code of Ethics and Business Practices Policy
- Whistle Blower Policy
- Related Party Transaction Policy
- Corporate Governance Disclosure Policy
- Social Responsibility Policy
- Director Remuneration Policy

3. CORPORATE GOVERNANCE PRINCIPLES

The Company's guiding principles of good corporate governance are set out in the following key activities of the Board:

- 3.1. Board Operations: the ability to govern the Company and manage its own activities
 - Directors are skilled and experienced.
 - Nomination process ensures appropriate balance and competence of Director's is maintained.
 - Defined criteria of Directors' independence and objectivity.
 - Access to training and professional advice.
- 3.2. Strategy: contributions toward a comprehensive corporate strategy
 - Approve the vision and strategy proposed by the Management.
 - Approve, review and challenge the strategic plan.
 - Review the progress and performance of the Company in achieving these plans and corporate objectives.
 - Creating an adaptable organization that is responsive to a change in business environment and market opportunities.
 - Approve and adopt company policies and work with management in establishing policies for strengthening the performance of the Company.
- 3.3. Corporate Culture: setting standards for organizational behavior
 - Promote honesty with management.
 - Sponsor and promote adherence to the code of conduct.
 - Align the interests of the board and senior management with those of the shareholders and other stakeholders.
- 3.4. Monitoring & Evaluation: managing and evaluating performance against defined goals
 - Set processes that ensure compliance with relevant laws and regulations, as well as internal policies.
 - Establish risk management measures and monitor effectiveness.
 - Evaluating the performance of senior management.
- 3.5. Stewardship: responsibility and accountability to stakeholders for the organization's performance
 - Uphold standards for Director's readiness, participation and honesty.
 - Protect the organization and its stakeholders from potential damage due to conflict of interest.
 - Manage stakeholder expectations through timely and transparent communication.
 - Review and approve annual strategy to implement corporate social responsibility policy to exercise its role as a good social citizen.

4. SHAREHOLDERS OVERSIGHT AND RESPONSIBILITIES

A shareholder is any individual, group, or organization that owns one or more shares in the company, and in whose name the share certificate is issued. It is the right of every shareholder to participate and vote in the general meeting and the Company should avoid any procedure that would hinder the shareholder's voting right. Instead, the Company should facilitate the shareholders' rights to vote.

The Company should make available any information which enables the shareholders to seamlessly exercise their rights. This information should be sufficient and accurate, updated regularly and presented in a regular manner to the shareholders.

The Company should implement an effective method to communicate with its shareholders and there should be no preference between a shareholder and another in giving this information.

The Chairman of Board and other Directors (as appropriate) shall maintain ongoing personal contact with key shareholders to solicit their views and understand their concerns. The Chairman of Board shall ensure that the views of shareholders are communicated to the board as a whole. The Chairman of Board shall discuss governance and strategy with key shareholders.

The main responsibility and duty of the Company's shareholders is to pass resolutions at general meetings by voting through their shareholder capacity. This duty is particularly important as it allows the shareholders to exercise their ultimate control over the company and the way it is managed.

5. ROLES OF THE BOARD AND MANAGEMENT

5.1. Board of Directors:

1. The role of the Board is to govern the Company rather than to manage it. In general, the Board is responsible for, and has the authority to determine, all matters relating to the directions, policies, practices, management and operations of the Company.
2. All Directors must understand the Board's role and responsibilities under the Commercial Companies Law, Corporate Governance Code issued by MOICT Bahrain or any other laws or regulations that may govern their responsibilities.
3. The Board shall adopt a reasonable policy in delegating the authorities to the executive management, and the delegation of authority regulations shall cover various financial, administrative, employees' affairs and other functions necessary to operate and manage the company efficiently.
4. The Board shall represent all shareholders, shall perform the duty of devotion and loyalty in managing of the company and everything that would safeguard and promote the interests of the company and maximize its value.

5.2. Board of Directors Secretary:

The secretary shall be selected from among the Directors or outside the Board. He/she shall assist the Chairman and Directors in carrying out their duties. The secretary competences shall involve:

1. Facilitating the implementation of the Board's activities and decisions.
2. Coordinating the Board's meetings, records, books and other supporting documents (if any).
3. Recording minutes of meeting and sending them to the Board.
4. Managing the corporate governance requirements related to the Board.
5. Coordinating among the Directors regarding attendance, documents circulation, and other matters.
6. Ensuring access to the committee's minutes of meeting and including them within the Board's meeting documents.
7. Minutes are prepared for circulation and endorsement at the subsequent meeting and approved by the Chairman of the Board, the members present at the meeting and the Secretary of the Board.
8. Coordinating all logistics related to shareholder's meetings (General Assembly Meeting / Extraordinary General Meeting) with the Chairman.
9. Keeping records and documents relevant to the Board's activities, such as the Commercial Companies Law, Articles of Association, Memorandum of Association, Commercial Register and updated corporate governance rules.
10. Any other duties assigned to the secretary by the Board.

5.3. Management:

It is the responsibility of the senior management to operate the Company in an effective and ethical manner including:

1. Operating the business in a manner which reasonably and reliably maximizes the long-term value of the Company.
2. Setting a strong ethical tone for the Company and establishing and implementing a code of conduct which is reasonably calculated to discourage and detect misconduct.
3. Establishing internal controls and a financial reporting system which are reasonably calculated to produce financial reports that accurately and fairly present the Company's financial condition.

The management is responsible to ensure that the financial reports present a true and fair view of the Company's financial position and that the operational results are in accordance with relevant accounting standards.

The Board will ensure that a structure is in place to independently verify and safeguard the integrity of the Company's financial reporting.

6. TERMS OF REFERENCE

6.1. Board of Directors

1. The Board has adopted a formal charter that details its functions and responsibilities.
 - a. The Board of Directors Charter outlines the principal role of the Board, functions, responsibilities and powers, guidelines related to the various board committees of the Company, matters reserved for final decision-making or pre-approval by the Board and the policies and practices of the Board in respect of matters such as conflict of interest, as well as summoning of Board meetings.

6.2. Board Committees

1. The Audit Committee assists the Board in independently ensuring and maintaining oversight of the Company and fulfilling its responsibility towards assisting the Board to discharge their duties regarding reported financial information, internal controls and corporate code of conduct and overall wellbeing of the Company including maintaining oversight on the audit functions, and legal and regulatory requirements.
2. The Nomination, Remuneration and Governance Committee assists the board in independently recommending Directors and officers to the shareholders, as well as their remuneration. Additionally, its responsibilities include ensuring that the Company's practices conform to its corporate governance policy and is aligned to good governance practices.

7. ETHICS POLICIES AND GUIDELINES

7.1. Directors Code of Conduct

The Board aims to ensure that all board members and the management personnel should act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Code of Conduct (the 'Code'), contains the policies that relate to the legal and ethical standards of conduct that board members, committee members, the executive management, managers and employees are expected to comply with while carrying out their fiduciary duties to the Company.

7.2. Directors Conflict of Interest Management Policy

All concerned persons should avoid conflict of interest between themselves and the Company. A conflict of interest can occur when the private interest of any of the concerned persons interferes in any way or even appears to interfere with the interests of the Company as a whole. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company's Board and committee members should be disclosed promptly to the Chairman of the Board and the Chairperson of the nomination, remuneration and governance committee. Similarly, all executive management, managers and employees shall report any conflict of interest to their direct supervisors.

8. DIRECTORS INDUCTION AND TRAINING POLICY

The objective is to induct new Directors in such a manner that they can become as effective as possible in performing the duties of their new role. The policy also defines requirements of on-going training to be provided to the Directors in order to assist them in keeping themselves up-to-date with changing regulations, reporting requirements etc. and to understand the strategic direction and business of the organization.

Please refer to the Induction Program for Board Members document.

9. BOARD OF DIRECTORS / COMMITTEE'S PERFORMANCE ASSESSMENT FRAMEWORK

While the board remains accountable for the performance and affairs of the Company, it delegates to board committees and the management, certain functions to assist it to properly discharge its duties. The appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems in the form of charters / terms of reference for the committees.

The Board has established a mechanism for the annual review of its own performance as well as performance of its committees.

10. AMENDMENTS TO THE POLICY

The policy is subject to annual review and any changes to the Policy will be subject to Board's approval.