



Motivated workforce, Dynamic vision



CORPORATE GOVERNANCE



The Fundamental governance principles that regulate the relationship between The Bahrain Ship Repairing and Engineering Company B.S.C. (“BASREC/ the Company”) shareholders, management, employees and third parties, i.e. customers, legal authorities, suppliers and all types of individuals and institutions with whom BASREC does business are stipulated below:

Integrity

With regard to BASREC’s activities and relationships with customers, employees, shareholders, legal authorities, institutions and organizations, BASREC remains committed to the principle of integrity.

Credibility

Aware that confidence relies at the heart of business success, BASREC provides customers, shareholders, employees and legal authorities with clear, comprehensive and accurate information and offers timely and excellent services.

Responsibility

All the employees and directors undertake to perform their duties with honour, integrity, impartiality and sincerity towards BASREC and also to the society in general hereby placing the Company’s interest ahead of their own self-interests.

Compliance

BASREC abides by all laws, regulations and standards and is committed to ensure compliance with any of the proposals for modifications.

Confidentiality

BASREC does not share any information or details on transactions concerning shareholders, employees, suppliers and business partners and above all personal information regarding customers, with any person or institution, except with those authorities with which the sharing of information is permitted or required by laws and regulations.



CORPORATE GOVERNANCE (continued)

Transparency

Except for information that is deemed a commercial secret and not yet disclosed to the public, BASREC discloses to the public financial and non-financial information promptly, accurately, thoroughly, comprehensively and in a way easy to interpret and, to access.

BASREC Management strives to establish transparent and close communication with the shareholders. The primary objective is to make BASREC shares an attractive and predictable investment vehicle for existing shareholders as well as for potential investors. To this purpose, BASREC's management implements strategic plans and announces results in accordance with generally accepted accounting principles and provisions of relevant legislation in a comprehensive, fair, accurate, timely and comprehensive manner.

The company believes that good Corporate Governance is vital to our success in business; create long term shareholder value as also an important component of our commitment to our shareholders, customers & employees. The Company through its Board of Director, Senior Management & employees is committed to adhering to good Corporate Governance practices to effectively meet its statutory, financial and social obligations.

Effective Corporate Governance is an important part of our identity. Accordingly, we ensure the responsible, value-driven management and control of BASREC through our system of corporate governance. The guiding framework for this is provided by the Corporate Governance Code 2018 for public listed entities, whilst general reference is also drawn from other applicable laws and regulations of the Kingdom of Bahrain, Central Bank of Bahrain and the Bahrain Stock Exchange (Bahrain Bourse) along with Commercial Companies Law and its amendments.

This Corporate Governance Policy highlights key components of the governance system as designed and implemented in BASREC for the reporting period from 1 January 2018 to 31 December 2018.

Shareholders

BASREC maintains an open and transparent dialogue with its shareholders. The Annual General Assembly was held on 29 March 2018, during which the following resolutions were approved:

- The Board of Directors' Report on the Company's activities and its financial position for the fiscal year ended 31 December 2017 and the future plan of the Company.
- Approved distribution of dividend to the shareholders for the financial year 2017 at 50 fils per share.
- The adoption of the company's financial statements for the year ended December 31, 2017.
- Appointment of KPMG as external auditors for the fiscal year 2018 and the auditor's fees.

The Articles of Association ("AoA") includes provisions to ensure the rights of shareholders are respected in a fair and equitable manner, and more specifically include provisions with regard to calls for General Assembly meetings, General Assembly resolutions, and equal treatment of shareholders, the exercise of voting rights, method of voting for Board members and dividend distribution method.

Major Shareholders

Yusuf Bin Ahmed Kanoo W.L.L. and General Organization for Social Insurance (GOSI) are the two major shareholders of BASREC holding 50.47% and 7.50% of shares respectively.

As at 31 December 2018, 57.97% of the total number of shares in the Company is held by two shareholders.

Board of Directors

The BASREC Board of Directors (the "Board") is the primary governing body for BASREC. The Articles of Association ("AOA") includes composition of Board of Directors and their term of office, condition for the membership of the Board, election of Directors, appointment of expert as Board member, termination of membership, and powers of the Board of Directors under Bahrain Commercial Company Law 2001 and its amendments, Directors liability, Directors remuneration and requirements for the nomination to the Board.

As per its AOA the BASREC Board is composed of 7 members and the board members will be elected during the Annual General Meeting.



"Effective Corporate Governance is an important part of our identity."

Composition of Board

The Company has a balanced Board, comprising of Executive and Non- executive Directors which include independent Directors

No.	Name	Designation	Date of appointment	Category
1	Fawzi Ahmed Kanoo	Chairman	29 March 2018	Non-executive
2	Khalid Mohamed Kanoo	Deputy Chairman	29 March 2018	Non-executive
3	Abdulla Yousuf Akbar Ali Reza	Member	29 March 2018	Non-executive & Independent
4	Khalid Yousif Abdul Rahman	Member	29 March 2018	Non-executive & Independent
5	Khaled Abdulla Abdulrahman Abdulla	Member	29 March 2018	Non-executive
6	Talal Fawzi Kanoo	Member	29 March 2018	Non-executive
7	N. E. Saadi	Member	29 March 2018	Non-executive

The Chairman is considered to be independent as he is independent of the management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. There are strong independent directors to maintain a balance in the boardroom.



CORPORATE GOVERNANCE (continued)

Composition of Board (continued)

The Board met 4 times during the period from January 2018 to December 2018, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1.	26 February 2018	6	-
2.	14 May 2018	7	-
3.	13 August 2018	6	1
4.	12 November 2018	6	1

Director	Meeting Dates				AGM
	26/2/2018	14/5/2018	13/8/2018	12/11/2018	29/3/2018
Fawzi Ahmed Kanoo	■	■	■	■	■
Khalid Mohamed Kanoo	■	■	X	■	■
Abdulla Yousuf Akbar Ali Reza	■	■	■*	X	■
Khalid Yousuf Abdul Rahman	■	■	■	■	■
Khaled Abdulla Abdulrahman	■	■	■	■	■
Talal Fawzi Kanoo	-	■	■	■	-
N.E. Saadi	■	■	■	■	■

Mr. Talal Fawzi Kanoo was appointed as Director on 29th March 2018.

*Members attended the meeting by teleconference



"Monitoring the adequacy and implementation of the Company's Corporate Governance Framework."

Board Committees

Two Board Committees i.e. an Audit Risk and Governance Committee and Nomination and Remuneration Committee has been established following a decision of the Board of Directors.

Audit, Risk and Governance Committee (the "ARC")

The ARC is responsible to oversee BASREC's financial reporting process, to review BASREC's compliance with all relevant laws, regulations, codes and business practices, to review and supervise BASREC's governance policies such as Code of Conduct Policy, Whistleblowing Policy, Related Party Transactions Policy and Conflict of Interest Policy as required by the Corporate Governance Code 2018 and for supervising and undertaking all internal and external audit activities, risk management governance and other matters according to the pre-approved action plan of the Board of Directors.

The ARC Charter was approved by the Board of Directors on 12 May 2011 and the ARC was elaborated with Risk and Governance responsibilities in 2015. The ARC comprises two members of the Board of Directors and an expert from independent audit firm who will elect a Chairman from amongst them. The membership of the ARC will correspond to the tenure of Board membership and expert's period will be based on appointment letter. All members of the ARC have accounting and financial experience.

The members of the ARC are:

- Abdulla Yousuf Akbar Ali Reza – Chairman
- Khalid Yousuf Abdul Rahman – Member
- Jassim Abdulaal – Expert

The Committee met 4 times during the period from January 2018 to December 2018, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1	18 February 2018	3	-
2	9 May 2018	3	-
3	8 August 2018	3	-
4	8 November 2018	2	1

Director	Meeting Dates			
	18/2/2018	09/5/2018	08/8/2018	08/11/2018
Abdulla Yousuf Akbar Ali Reza	■	■	■*	X
Khalid Yousuf Abdul Rahman	■	■	■*	■
Jassim Abdulaal	■	■	■	■

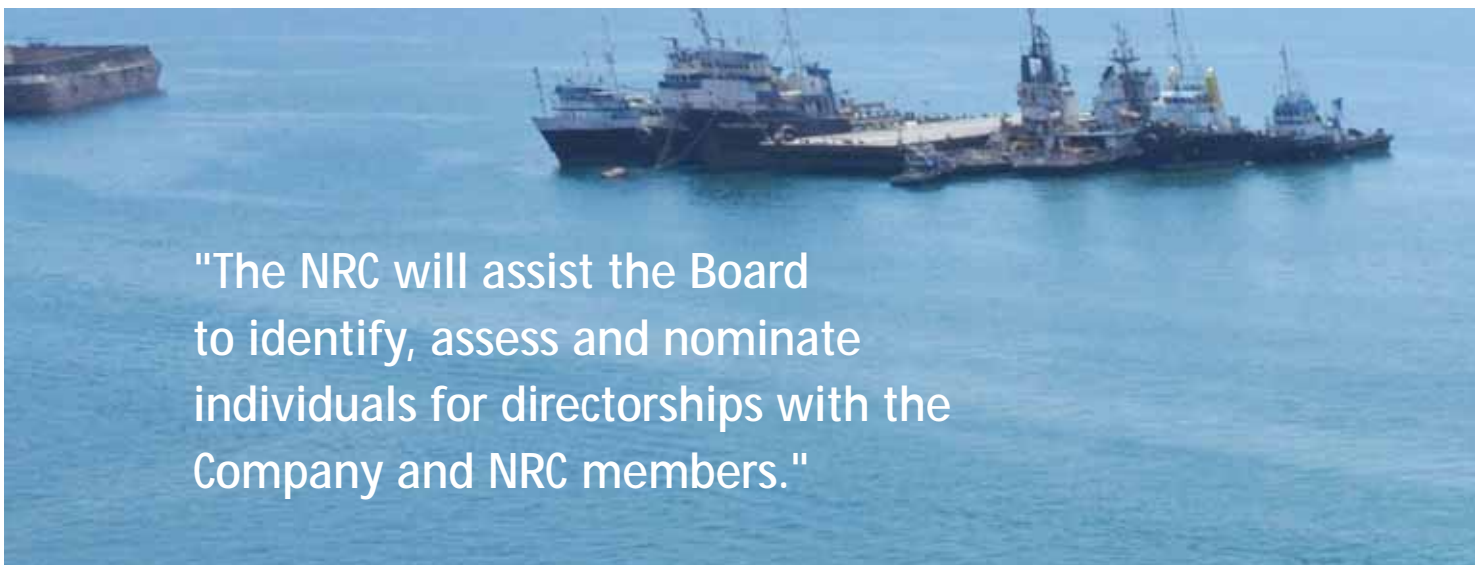
*Committee members attended the meeting by teleconference

The responsibilities of the ARC as documented in the ARC charter are to:

1. Prepare the agenda and minutes for ARC meetings in consultation with the Internal Auditors, External Auditors, Chief Executive Officer, Compliance Officer and Chief Financial Officer.
2. Review and update the approval of the ARC Charter.
3. Oversee BASREC's financial reporting process on behalf of the Board and report the results of its activities to the Board.
4. Review BASREC's companies with all relevant laws, regulations, codes and business practices.
5. Review and supervise the Company's policy and procedures for the code of conduct policy, whistle blowing policy and related party transaction policy and conflict of interest policy as required by the Corporate Governance Code 2018.
6. Ensure the quality of financial reporting, sound business risk management practices and ethical behavior.
7. Monitoring the adequacy and implementation of the Company's Corporate Governance Framework.
8. Monitor and review the standards of risk management and the effectiveness and integrity of internal control systems, including the procedures for ensuring that material business risks, fraud and related matters, are properly identified and managed.



CORPORATE GOVERNANCE (continued)



"The NRC will assist the Board to identify, assess and nominate individuals for directorships with the Company and NRC members."

Related Party Transactions and Conflict of Interest

All the related party transactions are strictly done on arm's length basis. For information on related party transactions, please refer to Note 24 "RELATED PARTY TRANSACTIONS" of the consolidated financial statements in the Group's Financial Report 2018. No material transactions has been entered into by the Company with the Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with the interest of the Company

Nomination and Remuneration Committee (the "NRC")

The NRC will assist the Board to identify, assess and nominate individuals for directorships with the Company and NRC members. The NRC shall also ensure that Compensation offered is competitive, in line with the market and consistent with the responsibilities assigned. The NRC will review and recommend the management remuneration policy for the Board approval.

The NRC comprises two members of the Board of Directors

The members of the NRC are:

- Abdulla Yousuf Akbar Ali Reza – Chairman
- Khalid Yousuf Abdul Rahman – Member

The responsibilities of the NRC as documented in the NRC charter are:

1. Board's proposal to the Shareholders for election or re-election of a director to be accompanied by a recommendation from the NRC.

2. Review, monitor and make recommendations regarding the orientation (induction) and ongoing development of existing and new directors such as continued education and training programs.
3. The NRC shall propose the specific remuneration package for the Directors and Senior Management to the Board for approval. The remuneration policy for Directors shall be subject to the Shareholders' approval and annual fee payment is subject to Shareholders' approval prior to payment. The Chief Executive Officer may in turn consider and recommend to the NRC the remuneration packages for all other employees of the company.
4. The NRC, jointly with the CEO, will review and identify key positions, requiring succession planning and ensure appropriate measures are in place.
5. Review the adequacy of Charters adopted by each committee of the Board and recommend changes if necessary..
6. The NRC should regularly review the time commitment required from each non-executive director and each non-executive director must inform the NRC before the director accepts any other Board appointments.
7. The NRC shall exercise utmost discretion when making written records of its deliberations and recommendations of remuneration.





CORPORATE GOVERNANCE (continued)

Nomination and Remuneration Committee (the "NRC") (continued)

The NRC met 4 times during the period from January 2018 to December 2018, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1	18 February 2018	2	-
2	9 May 2018	2	-
3	8 August 2018	2	-
4	8 November 2018	1	1

Director	Meeting Dates			
	18/2/2018	9/5/2018	8/8/2018	8/11/2018
Abdulla Yousuf Akbar Ali Reza	■	■	■*	X
Khalid Yousif Abdul Rahman	■	■	■*	■

*Members attended the meeting by teleconference

The composition of the NRC does not currently meet with the recommendation as there are not enough Board members appointed to the Board at this stage. The Board considers that the company is not of a size nor are its affairs of such complexity to justify the requirement. As such NRC is made of two independent Directors. The Board will reconsider the policy framework as the company and the Board grows.

The two members of the NRC maintains responsibility for setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive and are pursuant to Company's Articles of Association.

Board Secretary

BASREC has assigned the Board secretarial duties to the Corporate Secretary. Meeting minutes of all Board meetings are maintained and Board resolutions are documented.

Internal Control System

The Board is responsible for the internal control system in the Company. The Board has appointed an outsourced internal auditor to oversee internal control system of the BASREC. Internal Audit has conducted an initial risk assessment.

Internal and External Audit

The Board appointed BDO as its outsourced Internal Auditor in January 2018.

The shareholders at their General Meeting held on 29 March 2018, re-appointed KPMG as their external auditor. The External Auditor has submitted an unqualified audit opinion for the year 2018.

Insider Trading and Key Person Dealing

An insider trading policy was implemented in June 2007 as per the Guidelines of the Central Bank of Bahrain. In 2011, Insider Policy was replaced by Key Person Dealing Policy as per the Guidelines issued by the Bahrain Stock Exchange (Bahrain Bourse) and notification/directive of the Central Bank of Bahrain. Automated controls are integrated in operational processes to monitor compliance with the policy, including trading by Board members, Management and employees.



CORPORATE GOVERNANCE (continued)

"The company contributes to educational and charitable organizations in the community to help further goals of society."

Directors and Senior Management Interests

The number of shares held by Directors, Senior Management as at 31st December 2018 as follows:

Name	Type of Share	31st Dec 2018	31st Dec 2017
Fawzi Ahmed Kanoo	Ordinary	29,265	26,605
Khalid Mohamed Kanoo	Ordinary	-	-
Abdulla Yousuf Akbar Ali Reza	Ordinary	471,652	428,775
Khalid Yousuf Abdul Rahman	Ordinary	254,932	231,757
TOTAL		755,849	687,137
As a % the total number of shares		3.82 %	3.82%

Dividend Policy

The payment of dividends is subject to recommendation by the Board of Directors and approval by the Company's shareholders. The Directors have recommended payment of cash dividend of 50 fils per share of 100 fils each on 19,800,000 Ordinary Shares for the financial year 2018.

Remuneration Policy

The Directors have proposed remuneration of BHD 166,000 for their contribution in 2018. Board remuneration is subject to approval of the General Assembly.

The Board determines Senior Management compensation. The Senior Management compensation is composed of a salary and allowances. BASREC

discloses Board and Senior Management compensation as a part of the Related Party disclosures (Note No. 24) in the Group's Financial Report of 2018.

The remuneration policy is diverted towards rewarding performance. It is aimed at retaining high caliber talent.

Corporate Social Responsibility

The Company recognizes that it must be a responsible member of the society in which it operates and does business. Policies, procedures and systems have been put in place to address health, safety and environmental concerns. The company also contributes to educational and charitable organization in the community to help further goals of society.