



جُمُوعَةِ فنَادِقِ الْخَلَيجِ  
GULF HOTELS  
GROUP

## **CORPORATE GOVERNANCE POLICIES**

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## 1. Introduction

- 1.1 The Board of Directors ("the Board") of the Gulf Hotels Group B.S.C. ("GHG" or "the Company") has resolved to adopt this Corporate Governance Guidelines document which outlines the key corporate governance principles of the Central Bank of Bahrain ("CBB") Rulebook Volume 6 High Level Controls Module ("HC Module") and the Corporate Governance Code ("the Code") issued by the Bahrain Ministry of Industry and Commerce ("MOIC")
- 1.2 The policies and practices set out in this Corporate Governance Guidelines document are intended to provide a framework for the efficient corporate governance of GHG. GHG shall comply with the principles and themes outlined in this document. The Board shall investigate any non-compliance or deviations from this document.
- 1.3 The Company has already formed a Corporate Governance committee which is responsible for reviewing the Corporate Governance Guidelines document at least every two years, or as and when required, in order to comply with the Code or any other relevant legislation in the Kingdom of Bahrain.
- 1.4 To obtain further clarity on the Board and Board Committees roles and responsibilities with respect to corporate governance, this document should be read in conjunction with the Board and its respective Committee Charters.

## 2. Background

- 2.1 The MOIC issued a Corporate Governance Code in 2010 outlining key corporate governance principles. The Code applies to all joint stock companies incorporated under the Bahrain Commercial Companies Law and the Code has been enforced since January 1, 2011.
- 2.2 Simultaneously, the CBB issued a revised HC Module in the CBB's Rulebook Volume 6 in and commercial market service providers with respect to:
  - The corporate governance principles issued by the MOIC in the Code; and
  - Best practice corporate governance principles in line with the recommendations of International Organization of Securities Commission (IOSCO) and the organization for Economic Cooperation and Development (OECD).
- 2.3 The aforementioned corporate governance laws and guidelines are relevant to GHG and GHG is actively revising its corporate governance framework to ensure compliance with these laws and guidelines.

## 3. GHG and Corporate Governance

- 3.1 GHG is committed to principle-based, value-driven corporate governance. The key elements of GHG' corporate governance goals are good governance, transparency, integrity, performance, and conformance.
- 3.2 GHG' commitment to achieving the highest standards of corporate governance is reflected by its approach which embraces the governance principles outlined by the CBB and the MOIC.
- 3.3 GHG' Board of Directors maintains an effective overseeing of organizational performance and conformance by regularly monitoring key business activities and providing directives to business through Board Committees.



#### **4. Principle 1: GHG will be headed by an effective, collegial, and informed Board.**

##### **The Board of Directors**

4.1 The Board is responsible for establishing and promoting GHG' business and organizational objectives. The Board oversees GHG' business affairs and integrity, works with management to determine GHG' mission and long-term strategy, and exercises direct overseeing over the strategic risks to GHG.

##### **The Board's roles and responsibilities**

4.2 All Directors on the Board shall understand the Board's roles and responsibilities under the Bahrain Commercial Companies Law or any other laws or regulations that may govern their responsibilities from time-to-time.

4.3 In particular, all Directors shall understand:

- The Board's role as distinct from the role of the shareholders; and the role of officers; and
- The Board's fiduciary duties of care and loyalty to GHG and its shareholders.

4.4 The Board shall comply with the roles and responsibilities as identified in the HC Module Section 1.2.

##### **Decision Making process**

4.5 The Board shall be collegial and deliberative, to gain the benefit of each individual Director's judgment and experience and shall comply with the decision making requirements of High level Control (HC) Module Section 1.3

##### **Independence of Judgment**

4.6 Each Director shall comply with the requirements of HC Module Section 1.4 and shall bring independent judgment to bear in decision-making. No individual or group of Directors shall be allowed to dominate the Board's decision-making and no one individual shall have unfettered powers of decision.

##### **Representation of all shareholders**

4.7 The Board shall comply with the representation of all shareholders requirements as identified in the HC Module Section 1.5.

4.8 Each Director shall consider himself/herself as representing all shareholders and shall act accordingly. The Board shall avoid having representatives of specific groups or interests within its membership and shall not allow itself to become a battleground of vested interests.

##### **Director's access to independent advice**

4.9 The Board and its Committees shall have the right, at any time, to retain independent outside auditors and financial, legal, or other advisors.



- 4.10 GHG will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its Committees in carrying out their duties.
- 4.11 Directors shall comply with the additional requirements of HC Module Section 1.6.

### **Director's communication with management**

- 4.12 The Board shall encourage participation by management regarding matters the Board is considering and shall comply with the requirements of HC Module Section 1.7.

### **Committees of the Board**

- 4.13 The Board has created the following Committee:
  - Audit Committee: The Audit Committee assists the Board in fulfilling its responsibility for overseeing of the quality and integrity of the accounting, auditing, and reporting practices of GHG.
  - Nominating and Remuneration Committee: The Nomination and Remuneration Committee assist the Board in formulating a framework for nominating and appointing the Directors and senior management of the Company and the remuneration policies.
  - Corporate Governance Committee: The Corporate Governance Committee assists the Board in establishing Corporate Governance framework and monitoring its compliance thereof.
  - Executive Committee: The Executive Committee assist the Board to evaluate the strategic plan and its implementation.
  - Investment Committee: The investment Committee assists the board in utilizing the funds of the company in a most feasible way so as to attain maximum return.
- 4.14 The aforementioned Committees are created to assist the Board in fulfilling its certain overseeing responsibilities. Each Committee shall perform its duties as assigned by the Board in compliance with the Committee's draft charter.
- 4.15 The Chairman of each Committee is responsible for developing together with relevant Company managers, the Committee's general agenda and objectives and for setting the specific agenda for Committee meetings. The Chairman and Committee members shall determine the frequency and length of Committee meetings in accordance with the Committee's draft Charter.
- 4.16 The Board and the Committees shall comply with the requirements of HC Module Section 1.8.

### **Evaluation of the Board, Board Committees, and Individual Directors**

- 4.17 At least annually, the Board shall conduct an evaluation of its performance and the performance of each Committee and each individual Director. The Board shall conduct the periodic evaluations in accordance with the requirements of HC Module Section 1.9.



## **5. Principle 2: The Directors and Officers of GHG shall have full loyalty to the Company**

### **Personal accountability and avoidance of conflict of interest**

- 5.1 The Directors and officers of GHG shall comply with the requirements of HC Module Section 2.2 and 2.3
- 5.2 Each Directors and officers of GHG shall understand that under the Commercial Companies Law, he/she is personally accountable to the Company and the shareholders if he/she violates his/her legal duty of loyalty to the company, and that he/she can be personally sued by the Company or the shareholders for such violations.
- 5.3 Each Director and officer shall make every practicable effort to arrange his/her personal and business affairs to avoid a conflict of interest with the Company.

### **Disclosure of conflicts of interest**

- 5.4 The Directors and officers of GHG shall disclose conflicts of interest in accordance with the requirements of HC Module Section 2.4
- 5.5 Each Director and officer shall inform the entire Board in writing of conflicts of interest immediately as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Commercial Companies Law.
- 5.6 GHG shall disclose to its shareholders in the Annual report any abstention from voting motivated by a conflict of interest and shall disclose to its shareholders any authorization of a conflict of interest contract or transaction in accordance with the Commercial Companies Law.

## **6. Principle 3: GHG' Board shall have rigorous controls for financial audit and reporting, internal controls, risk management, and compliance with the law**

- 6.1 The Board has established an Audit Committee which assists the Board in fulfilling its responsibility for overseeing of the quality and integrity of the accounting, auditing, and reporting practices of GHG.
- 6.2 The Audit Committee shall comply with the requirements of the HC Module Section 3.2

### **CEO and CFO certification of financial statements**

- 6.3 In order to encourage management accountability for the financial statements required by the Directors, GHG' CEO and CFO shall state in writing to the Audit Committee and the Board as a whole that the Company's interim and annual financial statements as prepared in accordance with IAS and IRFS present a true and fair view, in all material respects (including providing adequate provisions), of the Company's financial condition and results of operations in accordance with applicable accounting standards. Signing the financials by both CEO and CFO will comply the requirements as well.



## **7. Principle 4: GHG shall have rigorous procedures for the appointment, training and evaluation of the Board**

### **Nomination Committee**

- 7.1 The Board has already established Nomination and remuneration Committee which is assisting the Board in formulating a framework for nominating and appointing the Directors and remuneration policies for Directors and senior management of the Company.
- 7.2 The Nomination and remuneration Committee shall comply with the requirements of the HC Module Section 4.2 to 4.3.

### **Board nominations to the shareholders**

- 7.3 All nominations for Board Members shall be presented to the shareholders in the form a proposal which shall include the requirements of HC Module Section 4.4.1.
- 7.4 When proposing the re-election of a Director, the Chairman of the Board shall comply with the requirements of HC Module Section 4.4.2.

### **Induction and Training of Directors**

- 7.5 The chairman of the Board shall ensure that each new Director receives a formal and tailored induction to ensure his/her contribution to the Board from the beginning of his/her terms.
- 7.6 The Nomination and remuneration Committee and management are responsible for Director Orientation programs and for Director continuing education programs to assist Directors in maintaining the skills necessary or appropriate for the performance of their responsibilities.
- 7.7 Orientation programs are designed to familiarize new Directors with GHG' businesses, strategies, and policies and to assist new Directors in developing the skills and knowledge required for their service.
- 7.8 Continuing education programs for Board members may include a combination of internally developed materials and presentations, programs presented by third parties at GHG, and financial and administrative support for attendance at other independent programs.
- 7.9 The company shall also comply with the additional induction and training requirements of the HC Module Section 4.5.

## **8. Principle 5: GHG shall remunerate Directors and officer fairly and responsibly**

### **Remuneration Committee**

- 8.1 The Board has already established a Nomination and Remuneration committee which is assisting the Board in formulating a framework for nominating and appointing the Directors and remuneration policies for Directors and senior management of the Company.
- 8.2 The Nomination and Remuneration Committee shall comply with the requirements of the HC Module Section 5.2 to 5.3.

### **Standard for all remuneration**

- 8.3 Remuneration of both Directors and officers shall be sufficient enough to attract, retain and motivate persons of the quality needed to run the Company successfully, but the Company shall avoid paying more than is necessary for that purpose.
- 8.4 The Company shall comply with the remuneration requirements for non-executive Directors and officers in accordance with the requirements of the HC Module Section 5.5 to 5.6.



## **9. Principle 6: GHG Board shall establish a clear and efficient management structure**

### **Establishment of management structure**

- 9.1 The Board shall appoint officers whose authority shall include management and operation of current activities of the Company, reporting to and under the direction of the Board.
- 9.2 The Board shall ensure that the Company's management structure complies with the requirements of HC Module Section 6.2.

### **Titles, authorities, duties and reporting responsibilities**

- 9.3 The Board shall adopt by-laws prescribing each senior officer's title, authorities, duties and internal reporting responsibilities. This shall be done with the advice of the Nomination and Remuneration Committee and in consultation with the CEO, to whom the other officers shall normally report.
- 9.4 The Company shall also comply with the additional requirements of HC Module Section 6.3.

### **Executive Management**

- 9.5 The Nomination and remuneration Committee shall review the performance of Chief Executive Officer. The performance evaluation results shall be reviewed and discussed with the Board, and the results shall be communicated to the CEO.
- 9.6 As part of the annual executive management evaluation process, the Nomination and Remuneration Committee shall work with the CEO to develop succession plans for the CEO and other officers, as well as to develop plans for interim succession in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.



## **10. Principle 7: GHG shall communicate with shareholders, encourage their participation, and shall adhere to their rights**

### **Shareholders' rights and conduct of shareholders' meetings**

- 10.1 All shareholders shall be treated equally. The Board and Corporate Secretary shall encourage the attendance of shareholder at all shareholder meetings in order for shareholders to exercise their right to vote at such meetings.
- 10.2 Basic Shareholders rights include but are not limited to:
  - Secure methods of ownership registration;
  - The transfer of shares;
  - Obtaining relevant and material information on the corporation on a timely and regular basis;
  - Participating and voting in general shareholder meetings;
  - Electing and removing members of the Board;
  - Sharing in the profits of the corporation;
  - Presentations by independent advisers; and
  - Participating in corporate events.
- 10.3 The company shall also comply with the additional requirements of HC Module Section 7.2 to 7.3.
- 10.4 Shareholders' meetings shall be conducted in accordance with the requirements of HC Module Section 7.4.

### **Director Shareholder Communication**

- 10.5 The Chairman of the Board (and other Directors as appropriate) shall maintain continuing personal contact with major shareholders to solicit their views and understand their concerns. The Chairman shall ensure that the views of shareholders are communicated to the Board as a whole and shall discuss governance and strategy with major shareholders.
- 10.6 The Board shall manage the shareholder communication process in accordance with the requirements of HC Module Section 7.5

### **Controlling Shareholder**

- 10.7 The Chairman and other Directors shall actively encourage the controlling shareholders to make considered use of their position and to fully respect the rights of minority shareholders.