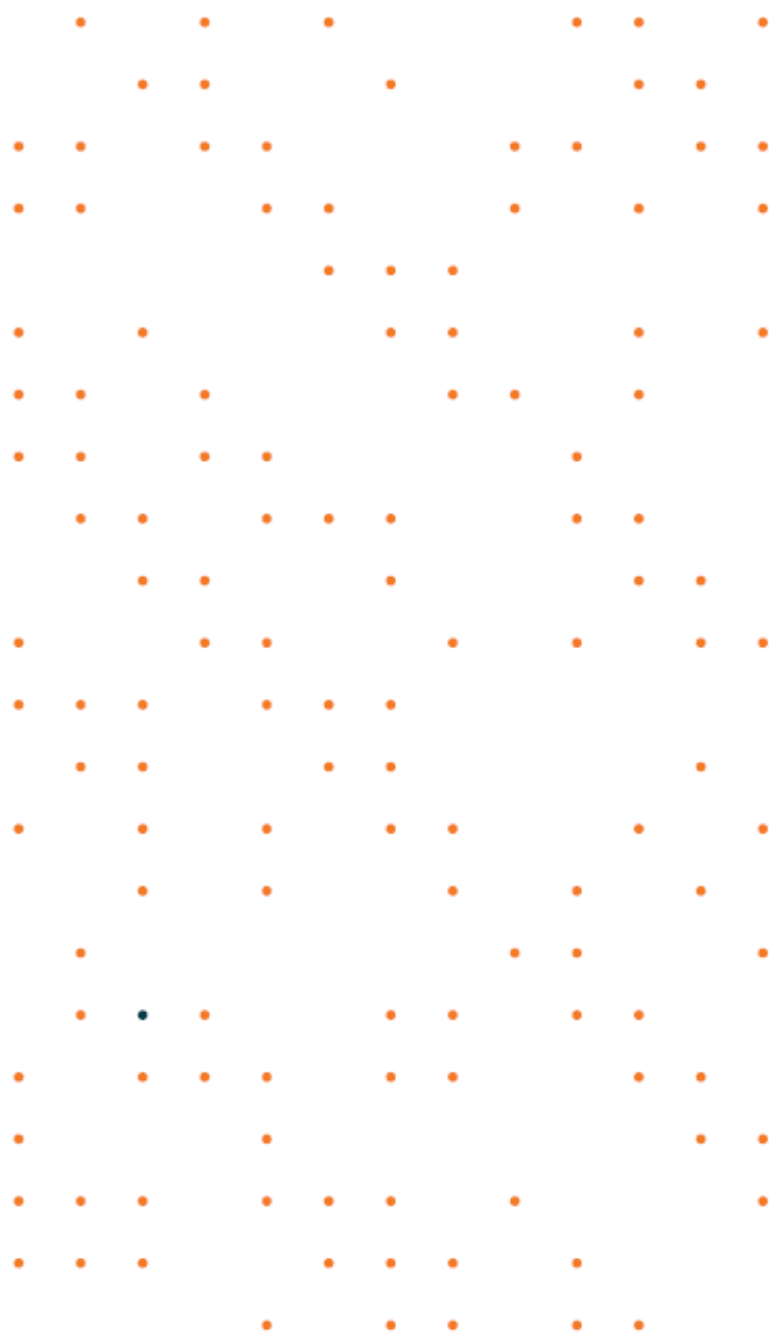




## Corporate Governance Guideline 2018



## Introduction

Established in 2002, INOVEST is a shariah compliant category “1” investment company regulated by the Central Bank of Bahrain, and cross listed on Bahrain Bourse and Boursa Kuwait. INOVEST’s business spans three principle areas: direct investment, asset management, and real estate investment and development.

INOVEST is the parent company for Al Khaleej Development Company “Tameer” and Tamcon Contracting Co.

The Bahrain Ministry of Industry and Commerce has issued a Corporate Governance Code (The “Governance Code”), which applies to INOVEST Simultaneously the Central Bank of Bahrain (“CBB”) has issued A High Level Controls Module in the CBB’s Rulebook 4 (“Module HC”) which sets forth requirements that met by INOVEST as an Investment Business Licensee with respect to (i) corporate governance principles in the Governance Code, (ii) international best practices corporate governance standards, and (iii) related high level controls and policies.

INOVEST’s Board of Directors (the “Board”) has resolved to adopt these Corporate Governance Guidelines (“Guidelines”) which cover the issues and material stated in Module HC as well as other corporate governance matters deemed appropriate by the Board.

### **PRINCIPLE 1: INOVEST will be headed by an effective, collegial, and informed Board**

#### **The Board’s Role and Responsibilities**

All directors on the Board (each a “Director”, collectively the “Directors”) understand the Board’s role and responsibilities under the relevant and applicable law, in particular:

- The Board’s role as distinct from the role of the shareholders (who elect the Board and whose interests the Board serves) and the role of the senior managers (whom the Board oversees), and
- The Board’s fiduciary duties of care and loyalty to the company and the shareholders.

INOVEST’s Board’s role and responsibilities include but are not limited to:

- INOVEST’s overall business performance and strategy;
- Causing financial statements to be prepared which accurately disclose INOVEST’s financial position;
- Monitoring management performance;
- Convening and preparing the agenda for shareholder meetings;
- Monitoring conflicts of interest and preventing abusive related party transactions;
- Assuring equitable treatment of shareholders including minority shareholders;
- Maintaining a statement of its responsibilities for a) adoption and annual review of strategy, b) adoption and review of the management structure and responsibilities, c) adoption and review of systems and control framework; and d) monitoring the implementation of strategy by management;
- Reviewing INOVEST’s business plans and the inherent level of risk;
- Assessing the adequacy of capital;
- Setting performance objectives;
- Overseeing major capital expenditures, divestitures and acquisitions;
- Notifying the CBB of major changes to strategy or corporate plan;
- Ensuring and demonstrating to the CBB that:

a) INOVEST’s operations are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of INOVEST’s activities;

b) INOVEST’s operations are supported by an appropriate control environment;

c) Management develops, implements and oversees the effectiveness of comprehensive know your customer standards, monitoring of accounts and transactions (with particular regard to anti-money laundering measures);

d) The control environment maintains necessary client confidentiality, ensures that the privacy of INOVEST is not violated, and ensures that clients' rights and assets are properly safeguarded; and

e) Where the Board has identified any significant issues related to INOVEST's adopted governance framework, appropriate and timely action is taken to address any identified adverse deviations from the requirements of such Module.

The Directors are responsible both individually and collectively for performing these responsibilities. Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place. The Board has adopted the Charter of the Board of Directors of INOVEST (the "Board Charter"). As it is important for each Director to understand his duties and responsibilities, the Chairman of the Board (the "Chairman"), assisted by the Corporate Secretary, review the Board's role and its duties and responsibilities with each newly elected Director. In addition, INOVEST has a written appointment agreement with each Director that refers to the Director's powers, duties, responsibilities and accountabilities, as well as other matters relating to his appointment, including time commitment, any committee assignment and remuneration.

### **Decision Making Process**

The Board are collegial and deliberative, to gain the benefit of each individual Director's judgment and experience. The Chairman takes an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made. The Board s meet at least four times in a financial year, all Directors attend the meetings whenever possible and the

Directors maintain informal communication between meetings. Furthermore:

- The Board meet at least four times during each financial year;
- Each Director attend at least 75% of the Board meetings within a financial year;
- It is not permissible for a Director to attend a meeting by proxy;
- The Chairman is responsible for the leadership of the Board and for the efficient functioning of the Board.

The Chairman ensures that all Directors receive an agenda, minutes of prior meetings and adequate background information in writing before each Board meeting and, when necessary, between Board meetings. All Directors receive the same Board information.

- While agendas for forthcoming Board and Committee meetings are initiated by INOVEST's management, a Director is entitled to place on the agenda for a Board or Committee meeting matters that the Director reasonably considers to be important and to require consideration by the Board or the relevant Committee.

- Subject to the receipt of timely information, a primary requirement of a Director's duty of care is that the Director study the materials provided to Directors in advance of the Board meeting and the meeting of any Committee on which the Director serves and prepare to contribute constructively in the deliberations of the Board and any such Committee. If sufficient information is not made available in a timely manner, a

Director may request that action by the Board or a Committee be delayed until the desired information is made available to Directors for review.

- Board meetings may be held by video conference or teleconference. As per HC-1.4.4A (The absence of Board members at Board and committee meetings is noted in the meeting minutes through the Board Secretary. In addition, Board attendance percentage is reported during any general assembly meeting when Board members stand for re-election and as per HC-1.4.4B (In the event that a Board member has not attended at least 75% of Board meetings in any given financial year, INOVEST immediately notifies the CBB indicating which member has failed to satisfy this requirement, his level of attendance and any mitigating circumstances affecting his non-attendance. The CBB shall then consider the matter and determine whether disciplinary action, including disqualification of that Board member pursuant to Article 65 of the CBB Law, is appropriate. Unless there are exceptional circumstances, it is likely that the CBB take disciplinary action.

HC-1.3.7 provides that a Director of a CBB licensed investment business may not be a Director of two investment business licensees within the same license category. If any Director holds more than one such Directorship, it is the responsibility of the Head of Compliance to confirm that the CBB is aware of such multiple directorships. Pursuant to HC-1.3.4, no person holds more than three directorships of public companies. The number of meetings represented by the 75% attendance requirement is based upon the total number of meetings held during the financial year. For example, each Director required to attend at least three Board meetings if the total number of meetings held during a financial year is four in Bahrain, subject to the provision that such directorships should not give rise to any conflict of interest. In addition, the Board are not proposed the election or re-election of any Director who holds more than three such directorships. If any then current Director or candidate for election as a Director holds more than three such directorships, it is the responsibility of the Head of Compliance to confirm that the CBB is aware of such multiple Directorships before that Director or candidate is proposed to the shareholders for re-election or election.

### **Independence of Judgment**

Every Director at INOVEST brings independent judgment to decision-making. No individual or group of Directors dominate the Board's decision making and no one individual have unfettered powers of decision.

Executive Directors provide the Board with all relevant business and financial information within their cognizance and recognizes that their role as a Director is different from their role as an officer. Nonexecutive Directors are fully independent of management and constructively scrutinize and challenge management including the management performance of executive Directors.

The duty of loyalty requires a Director to exercise the Director's powers in the interests of INOVEST and INOVEST's shareholders and not in the Director's own interests or in the interests of other persons or organizations. Each Director consider himself as a representative of all INOVEST' shareholders. See HC-1.4.2 and HC-1.4.3.1.4.5, 1.2.1, 2.2.3, 2.2.9, relating to the obligations of executive and non-executive Directors.

Pursuant to HC-1.5.1, The Board must ensure that it has sufficient non-executive and independent non-executive directors (in addition to its Chairman), in order to provide sufficient independent scrutiny of management. Additionally, in compliance with HC-1.5.6 at least half of the Board comprised of non-executive Directors and at least three of those persons are independent Directors. In compliance with HC 1.6.2 where an investment firm licensee with a controller, at least one-third of the Board must be independent directors. Minority shareholders must generally look to independent directors' diligent regard for their interests, in preference to seeking specific representation on the Board. In compliance

with HC-1.5.7 and 1.5.7A the Chairman and/or the Deputy Chairman not be the same person as the Chief Executive Officer.

In compliance with the CBB rules, on an annual basis the Board reviews the independence of each Director based upon the criteria specified by the CBB, the interests disclosed by them in their conflict of interest questionnaires and their conduct. Prior to the end of each Board meeting, the non-executive Directors meets alone to discuss any matters of concern. Non-Board members may attend Board meetings upon invitation but may not vote on any Board matters.

Each Director at INOVEST considers himself as representing all shareholders and acts accordingly. The Board at INOVEST avoid having representatives of specific groups or interests within its membership and must not allow itself to become a battleground of vested interests.

#### **Directors' Access to Independent Advice**

In compliance with HC-1.7.1 and HC-1.7.2, each Director at INOVEST has access to the Corporate Secretary of INOVEST, who has responsibility for reporting to the Board on Board procedures. Each Director has an access to independent legal or other professional advice at INOVEST's expense.

Such access to legal or other professional advice have been arranged by the Corporate Secretary upon the request of any Director. If a Director has serious concerns which cannot be resolved regarding the operation of INOVEST or a proposed Board or corporate action, such Director consider seeking independent advice, have such concerns recorded in the Board minutes and record dissents in connection with Board actions. The appointment and removal of the Corporate Secretary is a matter for the Board.

#### **Directors' Communications with Management**

In compliance with HC-1.8.1, the Board encourages the relevant management team members to present information on interest to the Board. In line with HC-1.8.2, non-executive Directors have free access to management through either the Chairman and Chief Executive Officer or the Chairman of the Audit Committee.

#### **Committees of the Board**

Acting in accordance with the CBB rules and INOVEST's Articles of Association, the Board has appointed the following Executive Committees: (i) the Audit Committee, (ii) Board Risk Committee (iii) Corporate Governance Committee (iiii) nominating, remuneration Committee.

These Committees operate with authority delegated by the Board in accordance with their respective Charters.

#### **Evaluation of the Board and Each Committee**

Pursuant to HC-1.10, the Board conducts an evaluation of its performance and the performance of each Committee and each Director at least annually using the criteria listed in HC-1.10.2. The results of such evaluation reported to the shareholders at each Annual General Assembly Meeting ("AGM") beginning with the AGM to be held after the end of the 2016-2017 financial year.

### **PRINCIPLE 2: INOVEST's Approved Persons will have full loyalty to INOVEST.**

#### **Personal Accountability**

Each Director and officer understands that under the Company Law he is personally accountable to INOVEST and its shareholders if he violates his legal duty of loyalty to INOVEST, and that he can be personally sued by INOVEST or the shareholders for such violations. The duty of loyalty includes a duty not to use property of INOVEST for his personal needs as though it was his own property, not to disclose confidential information of INOVEST or use it for his personal profit, not to take business opportunities of

INOVEST for himself, not to compete in business with INOVEST, and to serve INOVEST's interest in any transactions with INOVEST in which he has a personal interest. He considered to have a "personal interest" in a transaction with INOVEST if he himself, or a member of his family, or another company of which he is a Director or controlling shareholder, is a party to the transaction or has a material financial interest in the transaction. (Transactions and interests which are de minimis in value should not be included).

INOVEST encourages and requires its Approved Persons to conduct its business activities and transactions with honesty, integrity and loyalty. For purposes of these Guidelines, the term "Approved Person" means each Director, the Chairman and Chief Executive Officer and each head of a function in INOVEST who has been approved by the CBB ("Approved Persons").

As required by the CBB and to further enforce INOVEST's commitment to operating the entity with high business standards the Board has approved the INOVEST Code of Conduct (the "Code of Conduct"), which requires that all directors and employees:

- conduct themselves with integrity, honesty, leadership and professionalism in fulfilling their fiduciary responsibilities to INOVEST and its shareholders;
- respect, abide by and comply with laws and regulations relating to the activities of INOVEST;
- not take business opportunities of INOVEST or compete in business with INOVEST;
- ensure that proper judgment is exercised with regard to business decisions, necessary information has been obtained and where expert opinion or advice is required, such opinion or advice has been procured;
- maintain and preserve the confidentiality of INOVEST's business, including any information regarding its clients and shareholders;
- avoid actual or potential conflicts of interest with INOVEST and serve INOVEST's interest in any transaction where one may have a personal interest; and
- not offer or accept any substantial gifts, favors or service of any kind, to or from INOVEST, its clients, shareholders or regulatory authorities and promptly report any such gift.

#### **Disclosure of Conflicts of Interest**

Pursuant to HC-2.4.1 each Director and officer informs the entire Board of conflicts of interest as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Company Law. This disclosure shall include all material facts in the case of a contract or transaction involving the Director or officer.

The Directors and officers understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision.

#### **Disclosure of Conflicts of Interest to Shareholders**

INOVEST 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 Company Law.

**PRINCIPLE 3: The Board will have rigorous controls for financial audit and reporting, internal control and compliance with law**

The Board has established an Audit Committee and adopted an Audit Committee Charter consistent with the requirements of HC-3.2.1 and HC-3.2.2. All members of the Audit Committee are independent non-executive Directors and financially qualified.

In compliance with the requirements of HC-3.3.3, the Board has adopted a whistleblower policy (the Whistleblower Policy”) to encourage the disclosure of complaints and concerns regarding INOVEST’s financial statements and accounting, auditing, internal control and reporting practices and to ensure that any potential issues are immediately and properly investigated and addressed. The Whistleblower Policy included as a part of the Code of Conduct is available to all employees on the INOVEST shared drive. The Chief Executive Officer and the Chief Financial Officer state in writing to the Audit Committee and to the Board as a whole that INOVEST’s annual and interim financial statements present a true and fair view, in all material respects, of INOVEST’s financial condition and results of operations in accordance with International Financial Reporting Standards.

#### **PRINCIPLE 4: INOVEST will have rigorous and transparent procedures for appointment, training, and evaluation of the Board**

##### **Nominating Committee**

As required by HC-4.2.1 the details regarding responsibilities in acting as a nominating committee are set forth in the Nominating Committee Charter included in the Charter are the procedures for appointment as well as the requirements under HC-4.2.1, which specifies the information regarding each candidate for election or reelection as a Director that provided to the shareholders with each proposal that such candidate be elected or reelected as a Director and, HC-4.2.1 which specifies the information that provided to the shareholders by the Chairman when it is proposed that a Director be reelected to the Board by which are hereby incorporated in the Guidelines.

The board establishes a Nominating Committee of at least three members which shall:

- Identify persons qualified to become members of the board of directors or Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of the company considered appropriate by the Board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Audit Committee
- Make recommendations to the whole board of directors including recommendations of candidates for board membership to be included by the board of directors on the agenda for the next annual shareholder meeting.

The committee include only independent directors or, alternatively, only non-executive directors of whom a majority is independent directors and the chairman is an independent director. This is consistent with international best practice and it recognizes that the Nominating Committee must exercise judgment free from personal career conflicts of interest.

##### **Nominating Committee Charter**

The Nominating Committee adopts a formal written charter which states the above purposes and the other matters in Appendix C in the CORPORATE GOVERNANCE CODE issued by MoIC

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

Each new Director will be provided with a formal and tailored induction which shall include, meetings with senior management and presentations regarding strategic plans and significant financial, accounting and risk management issues among other items. All other Directors will be invited to attend induction meetings for new Directors.

**PRINCIPLE 5: INOVEST will remunerate Approved Persons fairly and responsibly**

**Remuneration Committee**

The Board established a remuneration committee of at least three members to (i) make recommendations regarding remuneration policies and amounts for Approved Persons to the Board and (ii) recommend Director remuneration based upon attendance and performance. As required by HC-5.3.1, in details. Responsibilities in acting as the remuneration committee are set forth in the Charter.

**Remuneration Standards**

Remuneration for Approved Persons at INOVEST is sufficient enough to attract, retain and motivate persons of the quality required to operate INOVEST's business without being excessive. Remuneration for non-executive Directors include performance-based elements such as grants of shares, share options or other deferred share-related incentive schemes. Senior management remuneration is designed to ensure that the interests of senior managers are aligned with the interests of INOVEST's shareholders. All share incentive plans are approved by shareholders.

**PRINCIPLE 6: The Board will establish a clear and efficient management structure**

The Board established a clear management structure and appoint and/or approve at a minimum the following senior managers: Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and a Corporate Secretary, as well as other senior managers as the Board considers appropriate including persons who occupy controlled functions. Such senior managers enters into employment agreements prescribing each senior manager's title, authorities, duties, accountabilities and internal reporting responsibilities including those set forth in HC-6.3.

**PRINCIPLE 7: INOVEST will communicate with shareholders, encourage their participation and respect their rights**

INOVEST follows both the letter and the intent of the Company Law's requirements for shareholder's meetings by observing and complying with the following rules pursuant to HC-7.2.1 and HC-7.3.1 including:

- Notices of meetings honest, accurate and not misleading. They clearly state and, where necessary, explain the nature of the business of the meeting;
- Meetings held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
- Notices of meetings encourage shareholders to attend shareholder meetings and, if not possible, to participate by proxy and refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy lists the agenda items and specify the vote (such as "yes," "no" or "abstain");
- Notices ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including but not limited to any recommendations or dissents of Directors;
- The Board propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not "bundled" together;
- In meetings where Directors are to be elected or removed the Board ensure that each person is voted on separately, so that the shareholders can evaluate each person individually;
- The Chairman of the meeting encourages questions from shareholders, including questions regarding the INOVEST's corporate governance guidelines;



- The minutes of the meeting is available to shareholders upon their request as soon as possible but not later than 30 days after the meeting;
- Disclosure of all material facts made to the shareholders by the Chairman prior to any vote by the shareholders;
- The Chairman (and other Directors as appropriate) maintains continuing personal contact with controllers to solicit their views and understand their concerns. The Chairman discusses governance and strategy with controllers. The Chairman and other Directors actively encourage the controllers to make a considered use of their position and to fully respect the rights of minority shareholders (see also HC-1.2 and 1.3 for other duties of the Chairman);

INOVEST have a dedicated section in its website relating to shareholders and use the section to describe the shareholders' rights to participate and vote at shareholders' meeting and shall post significant documents pertaining to meetings including the full text of notices and minutes. It shall also encourage electronic means of communication with its shareholders.

#### **PRINCIPLE 8: INOVEST shall disclose its Corporate Governance**

Disclosure under the Company Law and CBB Requirements In compliance with the CBB requirements, these Guidelines published on the INOVEST website. At each AGM, the Board reports to the shareholders on INOVEST's compliance with these Guidelines and the Governance Code, and explain the extent, if any, to which the Board has varied from the Guidelines or believes that variance or non-compliance was justified. The Board reports at each AGM on the corporate governance matters required under the CBB rules and such information held at INOVEST's premises.

#### **Board's Responsibility for Disclosure**

The Board is responsible for overseeing the process of disclosure and communication with INOVEST's internal and external stakeholders. The Board is responsible to ensure that the disclosures made by INOVEST are fair, transparent, comprehensive and timely and reflect the character of INOVEST and the nature, complexity and risks inherent in INOVEST's business activities.

#### **PRINCIPLE 9: As an Islamic Investment Business, INOVEST will follow the principles of Islamic Shari'ah.**

As INOVEST is an Islamic Investment Business Licensee, INOVEST at all times Shari'ah compliant. In compliance with -9.2.1 INOVEST has a Shari'ah Supervisory Board comprised of at least three Shari'ah scholars which complies with AAOIFI's Governance Standards for Islamic Financial Institutions No.1 and 2. INOVEST complies with AAOIFI issued accounting standards as well as applicable Shari'ah pronouncements issued by the Shari'ah Board of AAOIFI, consistent with and as interpreted by the rulings of INOVEST's Shari'ah Supervisory Board.