

BAHRAIN FAMILY LEISURE COMPANY B.S.C.

CORPORATE GOVERNANCE REPORT

(i) Board, Board Members and Management

Board and Directors' Responsibilities

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of Shareholder interests. The Board's role and responsibilities include but not limited to:

- Monitoring the overall business performance
- Monitoring management performance and succession plan for senior management
- Monitoring conflicts of interest and preventing abusive related party transactions
- Accurate preparation of the end of year financial statements
- Convening and preparing the shareholders' meeting
- Recommend dividend payable to Shareholders and ensure its execution
- Adapt, implement and monitor compliance with the company's code of ethics
- Review the company's objectives and policies relating to social responsibilities
- Select, interview and appoint General Manager and other selected members of the executive management

In these respect, the Directors remain individually and collectively responsible for performing all Board of Director's tasks.

Material transactions requiring board approval

The following material transactions require board review, evaluation and approval:

- The company strategy
- The annual budget
- Major resource allocations and capital investments
- Management responsibilities and training, development and succession plan for Senior Management.

Election system of directors and termination process

Election/re-election of Board members takes place every three years at the Annual Ordinary General Assembly Meeting.

Termination of a Board member's mandate usually occurs by dismissal at the meeting of the shareholders or by the member's resignation from the Board of Directors.

Directors trading of company shares

The Directors did not trade in any shares during the year ended 31 December 2017.

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Code of conduct and procedures adopted by the Board for monitoring compliance

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates.

The Board of directors has adopted the Bahrain Family Leisure Company code of Business conduct and a company Whistle-blower policy to monitor compliance with company ethics.

The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues. The Code of Conduct will be published in the 'Corporate Governance' section of the Company's website.

The Board of Directors consists of 7 members as of 31 December 2017.

The Board has been elected in March 2016 for a period of 3 years.

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The following table summarizes the information about the profession and business title of the current Board members;

	Name of Board Member	Profession	Business Title	Executive / non-executive independent / non-independent	Experience in years	Qualification
1	Mr. Abdul Latif Khalid Al Aujan	Businessman	Chairman	Non-executive / Independent	48	University Degree in Commerce - England
2	Mr. Garfield Jones	CEO - Gulf Hotels Group	Vice-Chairman/ Managing Director	Executive / Non-independent	36	HCIMA Part B Professional Qualification
3	Mr. Adel Salman Kanoo	Businessman	Director	Non-executive / Independent	33	Master Degree in Business Administration and MSC Air Transport Management.
4	Mr. Bashar Mohd Alhasan	Businessman	Director	Non-executive / Independent	40	Bachelor Degree - Economics
5	Mr. Sharif Mohd Ahmadi	Businessman	Director	Non-executive / Independent	40	Bachelor Degree - Electrical Engineering
6	Mr. Ron Peters	Deputy CEO Gulf Hotels Group	Director	Executive / Non-independent	37	GSCE 5 MBA Higher W-set level 2
7	Mr. Suresh Surana	CFO Gulf Hotels Group	Director	Executive / Non-independent	38	Commerce Graduate & Chartered Accountant from India (ICAI)

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	Name of board members	Number of Directorships in Listed Companies
1	Mr. Abdul Latif Khalid Al Aujan	one
2	Mr. Garfield Jones	Nil
3	Mr. Adel Salman Kanoo	Nil
4	Mr. Bashar Mohd Alhasan	Nil
5	Mr. Sharif Mohd Ahmadi	Nil
6	Mr. Ron Peters	Nil
7	Mr. Suresh Surana	Nil

The Company should hold a minimum of 4 Board meetings during each year. During the year ended 31 December 2017, Seven Board meetings were held. The following table summarizes the information about Board of Directors meeting dates and attendance of directors at each meeting:

	Names of Directors Present	08-Jan	20-Feb	10-Apr	24-Apr	31-Jul	30-Oct	27-Nov
1	Mr. Abdul Latif Khalid Al Aujan	✓	✓	✓	✓	✓	✓	✓
2	Mr. Aqeel Raees*	✓	✓	✗	✗	✗	✗	✗
3	Mr. Garfield Jones	✓	✓	✓	✓	✓	✓	✓
4	Mr. Adel Salman Kanoo	✗	✗	✓	✗	✓	✓	✓
5	Mr. Bashar Mohd Alhasan	✓	✓	✗	✓	✓	✓	✓
6	Mr. Sharif Mohd Ahmadi	✓	✓	✓	✓	✓	✓	✓
7	Mr. Ron Peters**	✗	✗	✗	✗	✗	✓	✓
8	Mr. Suresh Surana	✓	✓	✓	✓	✓	✓	✓

*Mr. Aqeel Raees has resigned from the Board on 8 June 2017.

**Mr. Ron Peters has joined the Board on 31 July 2017.

Total remuneration paid to the Board BD 21,600 as basic fee.

The following table summarizes the information about the profession and business title of each of the Executive Management:

Name of Executive Member	Designation	Profession	Business Title	Experience	Qualification
Mr. Ibrahim Abdo	General Manager	Administration	GM	22	Business Hotel Management/F&B
Mr. K T Pauly	Financial Controller	Administration	FC	34	Commerce Graduate

The total remuneration paid to the executive management is BD 52,800.

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(ii) Committees

The following table summarizes the information about Board Committees, their members and objectives:

<u>Audit Committee</u>	Reviews the internal audit program and internal control system, considers major findings of internal audit reviews, investigations and managements response. Ensures coordination among the internal and external auditors.	Mr. Suresh Surana	Executive / Non Independent
		Mr. Bashar Mohd Alhasan	Non-Executive / Independent
		Mr. Garfield Jones	Executive / Non Independent

The Company should hold a minimum of 4 Audit committee meetings during each year. During the year ended 31 December 2017, 4 audit committee meetings were held. The following table summarizes the information about committee meeting dates and attendance of directors at each meeting:

	12 - February	23 - April	30 - July	29 - October
Mr. Suresh Surana	✓	✓	✓	✓
Mr. Bashar Mohd Alhasan	✓	✓	✓	✓
Mr. Garfield Jones	✓	✓	✓	✓

Total remuneration paid to the Audit Committee members during 2017 is BD 3,800 as basic fee.

<u>Nominating & Remuneration Committee</u>	Identify persons qualified to become members of the board of directors and senior executive management of the company, with the exception of the appointment of internal auditors. Determine the appropriate size and composition of the Board and committees of the board. Making recommendations to the board on the removal and appointment of directors. Developing a succession plan for the Board and senior management and regularly reviewing the plan. Review, Recommend and Determine remuneration and incentive policies for the Board of Directors and Senior Management, having regard to prevailing market rates for similar roles and making them as attractive so as to retain and attract quality people to run the company successfully.	Mr. Abdul Latif Khalid Al Aujan	Non-Executive / Independent
		Mr. Adel Salman Kanoo	Non-Executive / Independent
		Mr. Sharif Mohd Ahmadi	Non-Executive / Independent
		Mr. Suresh Surana	Executive / Non Independent

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The Company should hold a minimum of 2 Nominating and Remuneration committee meetings during each year. During the year ended 31 December 2017, 2 Nominating and Remuneration committee meetings were held. The following table summarizes the information about committee meeting dates and attendance of directors at the meeting:

	24 - April	30 - October
Mr. Abdul Latif Khalid Al Aujan	✓	✓
Mr. Adel Salman Kanoo	✘	✓
Mr. Sharif Mohd Ahmadi	✓	✓
Mr. Suresh Surana	✓	✓

Total remuneration paid to the Nominating & Remuneration Committee members during 2017 is BD 2,250 as basic fee.

<u>Corporate Governance Committee</u>	Corporate governance committee is an internal system that encompasses policies, processes, people, and which makes sure the needs of shareholders and other stakeholders are met in full. This will be accomplished by directing and controlling managing activities using good business practices, objectivity, accountability and integrity. Corporate Governance Committee implements Corporate Culture of the organization, commitment of the board and senior management towards the corporate governance framework and approach of company to adhere to the code as integrity program rather than as compliance program.	Mr. Adel Salman Kanoo	Non-Executive / Independent
		Mr. Garfield Jones	Executive / Non Independent
		Mr. Sharif Mohd Ahmadi	Non-Executive / Independent
		Mr. Ron Peters	Executive / Non Independent
		Mr. Suresh Surana	Executive / Non Independent

The Company should hold a minimum of 2 Corporate Governance committee meetings during each year. During the year ended 31 December 2017, 2 Corporate Governance committee meetings were held. The following table summarizes the information about committee meeting dates and attendance of directors at each meeting:

	10-April	24-October
Mr. Adel Salman Kanoo	✓	✓
Mr. Garfield Jones**	✓	✘
Mr. Sharif Mohd Ahmadi	✓	✓
Mr. Ron Peters*	✘	✓
Mr. Suresh Surana	✓	✓

*Mr. Ron Peters has joined the committee on 31 July 2017.

**Mr. Garfield Jones has attended the 10 April committee meeting in the absence of Mr. Aqeel Raees.

Total remuneration paid to the Corporate Governance Committee during 2017 is BD 2,500 as basic fee.

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Executive Committee	The Executive Committee shall be appointed by the Board and shall consist of Chairman and minimum two members of the Board. The Executive Committee shall act on behalf of the Board of Directors to determine matters which, in the judgement of the Chairman of the Board, do not warrant convening a special meeting of the Board but should not be postponed until the next scheduled meeting of the Board.	Mr. Aqeel Raees	Executive / Non Independent
		Mr. Adel Salman Kanoo	Non-Executive / Independent
		Mr. Sharif Mohd Ahmadi	Non-Executive / Independent
		Mr. Garfield Jones	Executive / Non Independent
		Mr. Ron Peters	Executive / Non Independent

During the year ended 31 December 2017, 3 Executive committee meetings were held. The following table summarizes the information about committee meeting dates and attendance of directors at each meeting:

	06 - February	24 - July	24 - October
Mr. Aqeel Raees*	✓	✗	✗
Mr. Garfield Jones	✓	✓	✓
Mr. Adel Salman Kanoo	✓	✓	✓
Mr. Sharif Mohd Ahmadi	✓	✓	✓
Mr. Ron Peters**	✗	✗	✓

Total remuneration paid to the Executive Committee during 2017 is BD 3,600 as basic fee.

*Mr. Aqeel Raees has resigned from the committee on 8 June 2017.

**Mr. Ron Peters has joined the committee on 31 July 2017.

(iii) Corporate Governance

Corporate governance code

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates. The Board of directors has adopted the code of Business Conduct and a company Whistle-blower policy to monitor compliance with company ethics.

There have been no changes to the Company corporate governance guidelines of the Company during 2017.

Compliance with the corporate governance code

The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural

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framework for all employees in the context of a wide range of ethical and legal issues. The Code of Conduct has been published in the "Corporate Governance" section of the Company's website.

Compliance with the corporate governance code

BFLC currently complies with all the provisions of the Code with the exception of the following:

- (1) HC 1.8.6 of the CBB Rule Book volume 6 relating to Corporate Governance requires that the board shall establish a Corporate Governance Committee of at least 3 independent directors. However, the current composition of the Corporate Governance Committee is of 2 independent and 3 non-independent directors.
- (2) HC 3.2.1 of the CBB Rule Book volume 6 relating to Corporate Governance requires the Chairman of Audit Committee to be an independent director. The current chairman of the Audit Committee is a non-independent director.

The above points have been discussed in the Board of Directors meeting and they are of the opinion that these do not dilute the highest standards of corporate governance that the Company maintains and at present it is not possible to keep the required Board Committee composition as required by the CBB rule Book Volume VI. However, the Board of Directors have noted the point and commented that the Company will aim to formulate the Committees as per the regulatory requirements in due course.

"The Board of directors has adopted the corporate governance code and a company Whistle blower policy to monitor compliance with company ethics. The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues. The Code of Conduct will be published in the 'Corporate Governance' section of the Company's website."

Conflict of interest:

In 2017, no instances of conflict of interest have arisen. In the instance of a conflict of interest arising as a result of any business transaction or any type of resolution to be taken, the concerned Board member shall refrain from participating at the discussion of such transaction or resolution to be taken. In this respect, BFLC Board members usually inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution. The Board member(s) concerned would also refrain from voting in any instance where a conflict of interest shall arise.

Evaluation of Board and Chairman Performance

This is discussed in the Annual General Meeting and will also be taken up as part of Corporate Governance Code.

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Means of communication with shareholders and investors

The Company is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the Corporate Governance Code.

Information is communicated to shareholders through the distribution of the Company's Annual Report and other communications. All releases are posted on the Company's website and released to the shareholders in a timely manner.

The Company Secretary is responsible for communications with the shareholders and ensuring that the Company meets its continuous disclosure obligations.

Management of principal risks and uncertainties faced by the Company

The Board as a whole and management are assessing the risk from time to time. Board of Directors discuss and take proper measures for risks faced by the Company.

Review of internal control processes and procedures

The Review of Internal control process and procedures is performed regularly by the Company's internal auditors to ensure the efficiency.

Signed on behalf of the Board:



Abdul Latif Khalid Al Aujan
Chairman



Garfield Jones
Vice Chairman and Managing Director

14 February 2018