

## Notes to the Consolidated Financial Statements

At 31 December 2017

### 35 CORPORATE GOVERNANCE DISCLOSURES

#### **(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 shareholders' interests. The Board's role and responsibilities include but are 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 quarterly and annual consolidated financial statements;
- Convening and preparing for the shareholders meetings;
- Recommend dividends to shareholders and ensure its execution;
- Adapt, implement and monitor compliance with Trafco's Code of Business Conduct;
- Review the Company's objectives and policies relating to social responsibilities; and
- Select, interview and appoint Group Chief Executive Officer and other selected members of the Senior Management.

The Directors remain individually and collectively responsible for performing all of the Board of Directors' responsibilities.

##### **Material transactions requiring board approval**

The following material transactions require review of the Board of Directors, evaluation and approval:

- The Company strategy;
- The Annual Budget;
- Major resource allocations and capital investments; and
- Management responsibilities and training, development and succession plan for Senior Management.

##### **Procedures for election or removal of Directors**

Election/re-election of the Directors take place every three years at the General Meeting of the shareholders. The last election of the directors was held on 27 March 2016.

Removal of Directors mandate usually occurs by dismissal at the General Meeting of the shareholders or by the Director's resignation from the Board.

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

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

The Board of Directors has adopted the Code and a Whistleblower Policy to monitor compliance with the ethical requirements of the Code. The Code provides clear directions on conducting business internationally, interacting with the governments entities, communities, business partners and general workplace behaviour having regard to the best practice of corporate governance models and ethics. The Code also sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues.

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### 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### (i) Board, Board Members and Management (continued)

##### Management

The following table summarises the information about the profession, designation/business title, experience in years and the qualifications of the Senior Management:

	<b>Name of members of senior management</b>	<b>Designation / Business title</b>	<b>Experience in years</b>	<b>Qualification</b>
1	Mr S Sridhar	Group Chief Executive Officer	32	Fellow Member - Institute of Chartered Accountants of India
2	Mr Sameer Abdulla Alkhan	Assistant Group Chief Executive Officer	35	Diploma in Human Resources
3	Mr T Soma Rajan*	Group Financial Controller	46	Master's Degree in Business Administration
4	Mr Azzam M A Moutragi	Sales Manager	32	Master's Degree in Business Administration
5	Mr Ali Ramadan Shamlooh	Stores Manager	39	-
6	Mr P Palanisamy	Finance Manager	13	Associate Member - Institute of Chartered Accountants of India
7	Mr Sequeira Francisco	Maintenance Manager	33	Diploma in Mechanical Engineering and Post Graduate Diploma in Production & Maintenance Management
8	Mrs Layla Darwish	Acting Human Resource Manager	27	Education Diploma in Secretarial Studies

\* Mr. Soma Rajan retired from the office on 31 January 2018.

The remuneration paid to the Senior Management during the year was as follows:

	2017 BD	2016 BD
Salaries	244,560	249,595
Employees' end of service benefits	16,182	12,786
Bonuses	13,169	12,635
	<b>273,911</b>	<b>275,016</b>

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### 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### **Board of Directors and Board Members**

The Board of Directors consists of 10 members as of 31 December 2017 and 31 December 2016.

The members of the Board of Directors were elected on 27 March 2016 for a period of 3 years.

The following table summarises the information about the profession, business title, experience in years and start date of the current Board members:

<b>Board members</b>	<b>Profession</b>	<b>Business title</b>	<b>Executive/ Non-executive/ independent/ non-independent</b>	<b>Experience in years</b>	<b>Start date</b>
1 Mr Ebrahim Mohamed Ali Zainal	Businessman	Chairman	Non-Executive /Independent	53	1978
2 Mr Yusuf Saleh Abdulla Alsaleh	Businessman	Vice Chairman	Non-Executive /Non-independent	54	1978
3 Dr Esam Abdulla Yousif Fakhro	Businessman	Director and Executive Committee member	Non-Executive /Independent	50	1995
4 Mr Khalid A.Rahman Khalil Almoayed	Businessman	Director and Executive Committee member	Non-Executive /Independent	51	1978
5 Mr A. Redha Mohamed Redha Aldailami	Businessman	Director	Non-Executive /Independent	61	1981
6 Mr Fuad Ebrahim Khalil Kanoo	Businessman	Director	Non-Executive /Non-independent	55	1994
7 Mr Ali Yusuf A.Rahman A. Rahim	Businessman	Director	Non-Executive /Independent	52	1994
8 Mr Sami Mohammed Jalal	Businessman	Director	Non-Executive /Non-independent	44	1995
9 Mr Ebrahim Salahuddin Ahmed Ebrahim	Businessman	Director	Non-Executive /Independent	48	1995
10 Mr Jehad Yusuf Abdulla Amin	Businessman	Director	Non-Executive /Non-independent	39	1998

The following members of the Board of Directors are also the member of the other listed companies in the Kingdom of Bahrain:

<b>Members</b>	Number of directorships in other listed companies in the Kingdom of Bahrain	
	2017	2016
Mr Ebrahim Mohamed Ali Zainal	1	1
Mr Yusuf Saleh Abdulla Alsaleh	1	1
Dr Esam Abdulla Yousif Fakhro	3	3
Mr A. Redha Mohamed Redha Aldailami	1	1
Mr Sami Mohammed Yusuf Jalal	1	1
Mr Jehad Yusuf Abdulla Amin	5	5

## Notes to the Consolidated Financial Statements

At 31 December 2017

## 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

**(i) Board, Board Members and Management** (continued)**Board of Directors and Board Members** (continued)

The Group should hold a minimum of four Board meetings during each year. During the year, five meetings (2016: six meetings) of the Board of Directors were held. The following table summarises the information about the members attendance in the Board of Directors meetings:

**Meetings of Board of Directors held in 2017**

Members	Business title	2017					% Attended
		9 Jan	20 Feb	8 May	7 Aug	6 Nov	
Mr Ebrahim Mohamed Ali Zainal	Chairman	✓	✓	✓	✓	✓	100%
Mr Yusuf Saleh Abdulla Alsaleh	Vice Chairman	✓	✓	✓	✓	✓	100%
Mr Khalid A.Rahman Khalil Almoayed	Director and Executive Committee member	✓	✓	✓	x	✓	80%
Dr Esam Abdulla Yousif Fakhro	Director and Executive Committee member	✓	✓	x	✓	✓	80%
Mr Ebrahim Salahuddin Ahmed Ebrahim	Director	✓	✓	✓	✓	✓	100%
Mr Sami Mohamed Yusuf Jalal	Director	✓	✓	✓	✓	✓	100%
Mr Jehad Yusuf Abdulla Amin	Director	✓	✓	✓	✓	✓	100%
Mr A. Redha Mohamed Redha Aldailami	Director	✓	✓	✓	✓	✓	100%
Mr Ali Yusuf A.Rahman A. Rahim	Director	x	✓	✓	x	x	40%
Mr Fuad Ebrahim Khalil Kanoo	Director	✓	✓	x	✓	✓	80%

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### 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### (i) Board, Board Members and Management (continued)

##### Board of Directors and Board Members (continued)

Meetings of Board of Directors held in 2016

Members	Business title	2016						%Attended
		6 Jan	20 Feb	6 Apr	7 May	6 Aug	7 Nov	
Mr Ebrahim Mohamed Ali Zainal	Chairman	✓	✓	✓	✓	✓	✓	100%
Mr Yusuf Saleh Abdulla Alsaleh	Vice Chairman	✓	✓	✓	✓	✓	✓	100%
Mr Khalid A.Rahman Khalil Almoayed	Director and Executive Committee member	✓	✓	✓	✓	x	✓	83%
Dr Esam Abdulla Yousif Fakhro	Director and Executive Committee member	✓	✓	✓	x	✓	✓	83%
Mr Ebrahim Salahuddin Ahmed Ebrahim	Director	✓	✓	✓	✓	✓	✓	100%
Mr Sami Mohamed Yusuf Jalal	Director	✓	✓	✓	✓	✓	✓	100%
Mr Jehad Yusuf Abdulla Amin	Director	✓	✓	✓	✓	✓	✓	100%
Mr A. Redha Mohamed Redha Aldailami	Director	✓	✓	✓	✓	✓	✓	100%
Mr Ali Yusuf A.Rahman A. Rahim	Director	✓	✓	✓	✓	✓	x	83%
Mr Fuad Ebrahim Khalil Kanoo	Director	✓	x	✓	✓	✓	x	67%

##### Remuneration policy

The remuneration policy is based on attendance fees and basic fees paid to the members of the Board of Directors.

During the year, directors' remuneration and directors' fees paid to the members of the Board of Directors amounted to BD 112,750 (2016: BD 107,625) and BD 37,800 (2016: BD 42,750 ), respectively.

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## 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

**(ii) Board Committees**

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

<b>Board's committee</b>	<b>Objective</b>	<b>Members</b>	<b>Executive/ non-executive independent/ non-independent</b>
Executive (Investment & Finance) Committee	The executive committee is formed to discuss matters with the company's management regarding senior staffing, financial performance, operational performance, strategies and all other issues as directed by the Board.	<ol style="list-style-type: none"> <li>1. Mr Ebrahim Mohamed Ali Zainal (Chairman)</li> <li>2. Mr Yusuf Saleh Abdulla Alsaleh</li> <li>3. Dr Esam Abdulla Yousif Fakhro</li> <li>4. Mr Khalid A.Rahman Khalil Almoayed</li> </ol>	Non-executive/ Independent Non-executive / Non-independent Non-executive/ Independent Non-executive/ Independent
Remuneration Committee	Review and advise the Board of Directors on the Board's Composition, new directors nominations, in addition to Board and Senior Management remuneration.	<ol style="list-style-type: none"> <li>1. Mr Ebrahim Mohamed Ali Zainal (Chairman)</li> <li>2. Mr Yusuf Saleh Abdulla Alsaleh</li> <li>3. Dr Esam Abdulla Yousif Fakhro</li> <li>4. Mr Khalid A.Rahman Khalil Almoayed</li> </ol>	Non-executive/ Independent Non-executive / Non-independent Non-executive/ Independent Non-executive/ Independent
Audit Committee	<p>The audit committee is responsible for:</p> <ol style="list-style-type: none"> <li>1) Monitoring the integrity of the financial reporting process, Trafco systems of Internal Control, review of the consolidated financial statements and reports, compliance of the board with legal and regulatory requirements and the performance of the Company's Internal Audit function.</li> <li>2) To recommend the appointment of external auditors, agreeing their compensation, overseeing their independence and preparing reports required to be prepared by the Committee pursuant to Central Bank of Bahrain, Bahrain Bourse, Bahrain Commercial Companies Law and other regulatory authorities in the Kingdom of Bahrain.</li> </ol>	<ol style="list-style-type: none"> <li>1. Mr Ebrahim Salahuddin Ahmed Ebrahim (Chairman)</li> <li>2. Mr Jehad Yusuf Abdulla Amin</li> <li>3. Mr A. Redha Mohamed Redha Aldailami</li> <li>4. Mr Ali Yusuf A. Rahman A.Rahim</li> </ol>	Non-executive/ Independent Non-executive / Non-independent Non-executive/ Independent Non-executive/ Independent
Corporate Governance Committee	To review and ensure compliance with Corporate Governance Code framework and guidelines.	<ol style="list-style-type: none"> <li>1. Mr Ebrahim Salahuddin Ahmed Ebrahim (Chairman)</li> <li>2. Mr Jehad Yusuf Abdulla Amin</li> <li>3. Mr A. Redha Mohamed Redha Aldailami</li> <li>4. Mr Ali Yusuf A. Rahman A.Rahim</li> </ol>	Non-executive/ Independent Non-executive / Non-independent Non-executive/ Independent Non-executive/ Independent

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### 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### (ii) Board Committees (continued)

##### **Executive Committee**

The Group should hold a minimum of four Executive Committee meetings during each year. During the year, four meetings (2016: three meetings) of the Executive Committee were held. The following table summarises the information about the members attendance in the Executive Committee meetings:

	2017				% Attended
	4 Jan	2 July	25 Oct	13 Apr	
<b>Members</b>					
Mr Ebrahim Mohamed Ali Zainal	✓	✓	✓	✓	100%
Mr Yusuf Saleh Abdulla Alsaleh	✓	✓	✓	✓	100%
Mr Khalid A.Rahman Khalil Almoayed	✓	✓	✓	✓	100%
Dr Esam Abdulla Yousif Fakhro	✓	✓	✓	✓	100%

  

	2016			% Attended
	6 Jan	28 Apr	28 July	
<b>Members</b>				
Mr Ebrahim Mohamed Ali Zainal	✓	✓	✓	100%
Mr Yusuf Saleh Abdulla Alsaleh	✓	✓	✓	100%
Mr Khalid A.Rahman Khalil Almoayed	✓	x	x	33%
Dr Esam Abdulla Yousif Fakhro	✓	✓	✓	100%

During the year, fees paid to the members of the Executive Committee was BD 7,200 (2016: BD 6,300).

##### **Remuneration Committee**

The Group should hold a minimum of two Remuneration Committee meetings during each year. During the year, one meeting (2016: nil) of the Remuneration Committee was held. The following table summarises the information about the members attendance in the Remuneration Committee meeting:

	4 Jan 2017	% Attended
<b>Members</b>		
Mr Ebrahim Mohamed Ali Zainal	✓	100%
Mr Yusuf Saleh Abdulla Alsaleh	✓	100%
Mr Khalid A.Rahman Khalil Almoayed	✓	100%
Dr Esam Abdulla Yousif Fakhro	✓	100%

During the year, no fee was paid to the members of the Remuneration Committee (2016:nil)

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### 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### (ii) Board Committees (continued)

##### Audit Committee

The Group should hold a minimum of four Audit Committee meetings during each year. During the year, six meetings (2016: four meetings) of the Audit Committee were held. The following table summarises the information about the members attendance in the Audit Committee meetings:

	2017						% Attended
	12 Feb	3 May	28 May	31 July	31 Oct	7 Dec	
<b>Members</b>							
Mr Ebrahim Salahuddin Ahmed Ebrahim	✓	✓	✓	✓	✓	✓	100%
Mr Jehad Yusuf Abdulla Amin	✓	✓	✓	✓	✓	✓	100%
Mr A. Redha Mohamed Redha Aldailami	✓	✓	✓	✓	✓	✓	100%
Mr Ali Yusuf A. Rahman A. Rahim	✓	✓	✓	x	✓	✓	83%

	2016				% Attended
	11 Apr	14 July	31 Oct	29 Dec	
<b>Members</b>					
Mr Ebrahim Salahuddin Ahmed Ebrahim		✓	✓	✓	100%
Mr Jehad Yusuf Abdulla Amin		✓	✓	✓	100%
Mr A. Redha Mohamed Redha Aldailami		✓	✓	✓	100%
Mr Ali Yusuf A. Rahman A. Rahim		✓	x	x	50%

During the year, total fees paid to the members of the Audit Committee was BD 10,350 (2016: BD 6,300).

##### Corporate Governance Committee

The Group should hold a minimum of two Corporate Governance Committee meetings during each year. During the year, no meetings (2016: one meeting) of the Corporate Governance Committee were held. The following table summarises the information about the members attendance in the Audit Committee meetings:

	2016	
	29 December	% Attended
<b>Members</b>		
Mr Ebrahim Salahuddin Ahmed Ebrahim	✓	100%
Mr Jehad Yusuf Abdulla Amin	✓	100%
Mr A. Redha Mohamed Redha Aldailami	✓	100%
Mr Ali Yusuf A. Rahman A. Rahim	✓	100%

During the year, total fees paid to the members of the Corporate Governance Committee was BD nil (2016: BD 1,800).

#### (iii) Corporate governance

##### Corporate governance code

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

The Board of Directors has adopted the Code and a Whistleblower Policy to monitor compliance with the ethical requirements of the Code. The Code provides clear directions on conducting business internationally, interacting with the Government entities, communities, business partners and general workplace behaviour having regard to the best practice of corporate governance models and ethics. The Code also sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues.



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### 35 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### (iii) Corporate governance (continued)

##### *Changes to the Group's corporate governance guidelines*

Board of Directors revisit the corporate governance framework and guidelines and the Code to ensure compliance with the Corporate Governance Code enacted in 2010 annually and makes appropriate changes when required.

##### *Compliance with the corporate governance code*

Management and Board of Directors ensure compliance with corporate governance framework and guidelines to ensure compliance with the Corporate Governance Code enacted in 2010 and did not note any non-compliance during the years ended 31 December 2017 and 31 December 2016.

##### *Directors trading of the Company's shares*

During the year, the following Board Member disposed/purchased additional shares in Trafco Group B.S.C.:

Name	Relationship	Month of disposal	Number of shares held		Disposed shares		Additional shares purchased	
			2017	2016	2017	2016		
Mr Ali Yusuf A. Rahman A. Rahim	Director	Feb 2017	149,660	376,069	(226,409)		164,994	

##### *Conflict of interest:*

No conflicts of interest arose during the years ended 31 December 2017 and 31 December 2016. 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. Trafco's Members of the Board of Directors or its Committees usually inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution and concerned member(s) refrain from voting on these transactions or resolution where a conflict of interest arise.

##### *Evaluation of Board performance*

The shareholders evaluate the performance of the Board of Directors and absolve them from liability in the Annual General Meeting.

##### *Performance of the Chairman and General Manager*

The Board of Directors evaluates the performance of the Chairman and General Manager in the Board of Directors meeting.

##### *Means of communication with shareholders and investors*

The Company is committed to providing relevant and timely information to its shareholders, investors and regulators in accordance with its continuous disclosure obligations defined in the Code.

Information is communicated to shareholders and regulators through the distribution of the Group's Annual Report and other information releases about the significant matters through the Group's website in a timely manner.

The Board Secretary is responsible for communications with the shareholders and regulators ensuring that the Company meets its continuous disclosures obligations as defined in the Code.

##### *Management of principal risks and uncertainties faced by the Group*

The management of principal risks and uncertainties faced by the Group is managed by the Board of Directors, Executive Committee and the Audit Committee.