

Notes to the Consolidated Financial Statements

At 31 December 2014

36 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 shareholder 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 year-end financial statements;
- Convening and preparing for the shareholders meetings;
- Recommend dividend payable to shareholders and ensure its execution;
- Adapt, implement and monitor compliance with Trafco Code of Business Conduct ('the Code');
- Review the Company's objectives and policies relating to social responsibilities; and
- Select, interview and appoint General Manager and other selected members of the Senior Management.

The Directors remain individually and collectively responsible for performing all of the Board of Director's tasks.

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 26 March 2013.

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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36 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:

	Name of members of senior management	Designation / Business title	Experience in years	Qualification
1	Mr S Sridhar	General Manager	29	Fellow Member- Institute of Chartered Accountants of India
2	Mr Sameer Abdulla Alkhan	Assistant General Manager	32	Diploma in Human Resources
3	Mr T Soma Rajan	Group Financial Controller	43	Master's Degree in Business Administration
4	Mr Azzam M A Moutragi	Sales Manager	29	Master's Degree in Business Administration
5	Mr Ali Ramadan Shamlooh	Stores Manager	36	-
6	Mr Hussain A H A Bucheri	HR Manager	45	Diploma in Engineering
7	Mr P Palanisamy	Finance Manager	10	Associate Member of Institute of Chartered Accountants of India
8	Mr Sequeira Francisco	Maintenance Manager	30	Diploma in Mechanical Engineering and Post Graduate Diploma in Production & Maintenance Management

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

	2014 BD	2013 BD
Salaries	259,341	256,172
Employees' end of service benefits	9,373	11,040
Bonuses	12,588	11,925
	<u>281,302</u>	<u>279,137</u>

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36 CORPORATE GOVERNANCE DISCLOSURES (continued)

Board of Directors and Board Members

The Board of Directors consists of 10 members as of 31 December 2014 and 31 December 2013 .

The members of the Board of Directors were elected on 26 March 2013 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:

Board members	Profession	Business title	Executive/non executive independent/ non independent	Experience in years	Start date
1 Mr Ebrahim Mohamed Ali Zainal	Businessman	Chairman	Non-Executive / Independent	50	1978
2 Mr Yusuf Saleh Abdulla Alsaleh	Businessman	Vice Chairman	Non-Executive / Non-independent	51	1978
3 Dr Esam Abdulla Yousif Fakhro	Businessman	Director and Executive Committee member	Non-Executive / Independent	47	1995
4 Mr Khalid A.Rahman Khalil Almoayed	Businessman	Director and Executive Committee member	Non-Executive / Independent	48	1978
5 Mr A. Redha Mohamed Redha Aldailami	Businessman	Director	Non-Executive / Independent	58	1981
6 Mr Fuad Ebrahim Khalil Kanoo	Businessman	Director	Non-Executive / Independent	52	1994
7 Mr Ali Yusuf A.Rahman A. Rahim	Businessman	Director	Non-Executive / Independent	49	1994
8 Mr Sami Mohammed Yusuf Jalal	Businessman	Director	Non-Executive / Non-independent	41	1995
9 Mr Ebrahim Salahuddin Ahmed Ebrahim	Businessman	Director	Non-Executive / Independent	45	1995
10 Mr Jihad Yusuf Abdulla Amin	Businessman	Director	Non-Executive / Non-independent	36	1998

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

Number of directorships in other listed companies

Members

	2014	2013
Mr Ebrahim Mohamed Ali Zainal	1	2
Mr Yusuf Saleh Abdulla Alsaleh	2	3
Dr Esam Abdulla Yousif Fakhro	2	2
Mr Abdul Reda Mohamed Aldailami	1	1
Mr Ali Yusuf A.Rahman A.Rahim	-	1
Mr Sami Mohammed Yusuf Jalal	1	1
Mr Jihad Yusuf Abdulla Amin	4	4

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36 CORPORATE GOVERNANCE DISCLOSURES (continued)

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

During the year, 6 meetings of the Board of Directors (2013: 5 meetings) 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 2014

		2014						%
		5 Jan	23 Feb	15 April	3 May	9 Aug	8 Nov	
Members	Business title							Attended
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	✓	✓	✓	x	✓	67%
Dr Esam Abdulla Yousif Fakhro	Director and Executive Committee member	✓	✓	✓	✓	✓	✓	100%
Mr Ebrahim Salahuddin Ahmed Ebrahim	Director	✓	✓	✓	✓	✓	✓	100%
Mr Sami Mohamed Yusuf Jalal	Director	✓	✓	✓	✓	✓	✓	100%
Mr Jehad Yusuf Abdulla Amin	Director	✓	✓	✓	x	✓	✓	83%
Mr A. Redha Mohamed Redha Aldailami	Director	✓	✓	✓	✓	✓	✓	100%
Mr Ali Yusuf A.Rahman A. Rahim	Director	x	✓	✓	✓	✓	x	67%
Mr Fuad Ebrahim Khalil Kanoo	Director	✓	✓	✓	✓	✓	✓	100%

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36 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 2013

	Business title	2013					Attended	%
		12 January	3 March	4 May	3 August	2 November		
Members								
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	✓	✓	✓	✓	✓	100%	
Mr Ebrahim Salahuddin Ahmed Ebrahim	Director	✓	x	✓	✓	✓	80%	
Mr Sami Mohamed Yusuf Jalal	Director	✓	✓	x	✓	✓	80%	
Mr Jehad Yusuf Abdulla Amin	Director	✓	✓	✓	✓	✓	100%	
Mr A. Redha Mohamed Redha Aldailami	Director	✓	✓	✓	✓	✓	100%	
Mr Ali Yusuf A.Rahman A. Engineer	Director	✓	✓	x	x	✓	60%	
Mr Fuad Ebrahim Khalil Kanoo	Director	✓	✓	✓	✓	✓	100%	

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 95,000 (2013: 90,000) and BD 24,025 (2013: BD 13,425), respectively..

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36 CORPORATE GOVERNANCE DISCLOSURES (continued)

(ii) Board Committees

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

Board's committee	Objective	Members	Executive/non-executive independent/non-independent
Executive (Investment & Finance, Corporate Governance)	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"> Mr Ebrahim Mohamed Ali Zainal (Chairman) Mr Yusuf Saleh Abdulla Alsaleh Dr Esam Abdulla Yousif Fakhro Mr Khalid A.Rahman Khalil Almoayed 	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"> Mr Ebrahim Mohamed Ali Zainal (Chairman) Mr Yusuf Saleh Abdulla Alsaleh Dr Esam Abdulla Yousif Fakhro Mr Khalid A.Rahman Khalil Almoayed 	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"> 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. 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. 	<ol style="list-style-type: none"> Mr Ebrahim Salahuddin Ahmed Ebrahim (Chairman) Mr Jehad Yusuf Abdulla Amin Mr A. Redha Mohamed Redha Aldailami 	Non-executive/ Independent Non-executive / Non-independent Non-executive/ Independent

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36 CORPORATE GOVERNANCE DISCLOSURES (continued)

Executive Committee

During the year, 4 meetings of the Executive Committee (2013: 4 meetings) were held. The following table summarises the information about the members attendance in the Executive Committee meetings:

Executive Committee meetings held in 2014

	2014				% Attended
	13 February	2 April	26 June	25 September	
Members					
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%

Executive Committee meetings in 2013

	2013				% Attended
	28 March	30 May	25 July	10 October	
Members					
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, remuneration paid to the members of the Executive Committee was BD 6,875 (2013: BD 5,900).

Remuneration Committee

During the year, 1 meeting of the Remuneration Committee (2013: 1) was held. The following table summarises the information about the members attendance in the Remuneration Committee meeting:

Remuneration Committee meeting held in 2014

	13 February	% Attended
	2014	
Members		
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%

Remuneration Committee meeting held in 2013

	28 March	% Attended
	2013	
Members		
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 remuneration was paid to the members of the remuneration Committee (2013: nil).

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36 CORPORATE GOVERNANCE DISCLOSURES (continued)

(ii) Board Committees (continued)**Audit Committee**

During the year, 5 meetings of the Audit Committee (2013: 5 meetings) were held. The following table summarises the information about the members attendance in the Audit Committee meetings:

Audit Committee meetings held in 2014

	2014					% Attended
	11 February	16 April	14 May	1 September	20 November	
Members						
Mr Ebrahim Salahuddin Ahmed Ebrahim	✓	✓	✓	✓	✓	100%
Mr Jihad Yusuf Abdulla Amin	✓	✓	✓	✓	✓	100%
Mr A. Redha Mohamed Redha Aldailami	✓	✓	✓	✓	✓	100%

Audit Committee meetings held in 2013

	2013					% Attended
	28 January	25 April	10 July	22 September	1 December	
Members						
Mr Ebrahim Salahuddin Ahmed Ebrahim	✓	✓	✓	✓	✓	100%
Mr Jihad Yusuf Abdulla Amin	✓	✓	✓	✓	✓	100%
Mr A. Redha Mohamed Redha Aldailami	✓	✓	✓	✓	✓	100%

During the year, total remuneration paid to the members of the Audit Committee was BD 6,500 (2013: BD 5,050).

(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 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.

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.

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36 CORPORATE GOVERNANCE DISCLOSURES (continued)

(iii) Corporate governance (continued)

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 2014 and 31 December 2013.

Conflict of interest:

There are no conflict of interest arose during the years ended 31 December 2014 and 31 December 2013. 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 and investors in accordance with its continuous disclosure obligations defined in the Code.

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

The Board Secretary is responsible for communications with the shareholders and 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 Executive Committee, Audit Committee and the Board of Directors.