

## CORPORATE GOVERNANCE REPORT YEAR ENDED 31 DECEMBER 2022

### Bapco Energies B.S.C (CLOSED) (“Bapco Energies”) CR No.: 66088-1

The Board of Directors of Bapco Energies B.S.C (CLOSED) (“Bapco Energies” or the “Company”) is pleased to present this Corporate Governance Report relating to the financial year ending 31 December 2022.

In 2018 the Ministry of Commerce and Industry (“MOIC”) of the Kingdom of Bahrain introduced a Corporate Governance Code (“the Code”) to be followed by all joint-stock companies that are registered with the MOIC.

This report for the 2022 financial year has been prepared in accordance with the requirements of the Code. The Code is based on the “Comply or Explain” principle and, accordingly, explanations have been provided in this report where the Company has deviated from some of the recommendations of the Code.

### SHAREHOLDERS

Shareholder	Nationality	Ownership No. of Shares	Ultimate Shareholders	Nationality	Ownership (%)
Government of the Kingdom of Bahrain	Bahraini	1,184,400	Government of the Kingdom of Bahrain	Bahraini	100%

### BOARD OF DIRECTORS AND MANAGEMENT

#### Duties of the Board

The ultimate responsibility for the management of Bapco Energies, including compliance with all applicable laws, regulations, and significant business agreements, rests with the Board of Directors.

Directors are responsible individually and collectively to shareholders for achieving the Company's objectives and purposes. The interests of the Company take precedence over the interests of the shareholders they represent.

The Board must safeguard and promote the interests of the Company and maximize its value.

The Board's roles and responsibilities include:

- Adopting commercial and financial policies associated with the Company's business performance and the achievement of its objectives.
- Drawing up, overseeing, and reviewing the Company's plans, policies, strategies, and key objectives.
- Setting and supervising the Company's regulations and internal control systems.
- Determining the Company's optimal capital structure, strategies, and financial objectives and approving annual budgets.
- Monitoring the Company's major capital expenditures, including purchasing, and disposing of, assets as per SOA.
- Approving the Company's quarterly and annual financial statements and presenting them to the general assembly.
- Monitoring executive management's activities and ensuring that operations run smoothly. They are designed to achieve the Company's objectives and do not conflict with applicable laws and regulations.
- Forming specialized committees as required by the nature of the Company's activity and issuing those committees' regulations.
- Determining types of remuneration for senior executives and directors, subject to shareholder approval and considering article 188 of the BCCL.
- Setting a mechanism to regulate transactions with related parties to minimize conflicts of interest.
- Setting standards and values governing the Company's business.
- Ensuring the application of appropriate control and risk management systems by setting a framework for the risks the Company might face; creating a risk-aware environment; and sharing the risk management framework with related parties and stakeholders.
- Assuring equitable treatment of shareholders, including minority shareholders.
- Setting internal regulations which determine board duties and responsibilities, including directors' obligations and responsibilities.
- Not issuing general or unlimited authorizations.

In particular, the Board:

- Sets a strategic business plan which is reviewed and amended every five years or as required.
- Issues technical, administrative, and financial regulations.
- Decides the Company's organizational structure.
- Issues personnel regulations.
- Decides the design and contents of forms and subsidiaries' reporting intervals to regularly assess their performance.
- Issues investment rules and regulations, including policy and procedures on asset investments, divestments, and shareholdings in subsidiaries and in companies in which the Government acquires not more than one-half of the share capital.
- Approves the Company's annual balance sheet and audited final accounts.
- Considers reports submitted by the Managing Director/Chief Executive Officer on the Company's progress, and of the companies in which the Government acquires not more than one-half of the share capital and takes necessary actions.
- Sets general policies and specifies the procedures for implementing such policies.
- Exercises other functions and powers assigned to it under its articles.

Furthermore, in its strategy review process, the Board must:

- Review the Company's business plans and the level of risk inherent in those plans.
- Assess the adequacy of capital to support the Company's business risks.
- Set performance objectives.
- Review the performance of the Board, board committees, directors, and executive management.
- Oversee major capital expenditures, acquisitions, and divestitures.

As shareholders in Operating Companies (OpCos), Subsidiaries, and other companies:

- Identify and appoint Directors on Boards of OpCos, subsidiaries, and associates on behalf of Bapco Energies.
- Consider proposals from Boards of OpCos, subsidiaries, and associates for such appointments.
- Authorise a Board Committee to assess and recommend such appointments.

In fulfilling its oversight functions, the Board is assisted by the nominated five Committees namely the Audit Committee, Nomination, Remuneration & Governance Committee, Executive Committee, Risk & Cybersecurity Committee, and Innovation & Sustainable Development Committee. The Board has delegated day-to-day management to the Group Chief Executive Officer (GCEO). The Board oversees the work of the GCEO by continuously monitoring operations throughout the year.

## **Types of Material Transactions That Require Board Approval**

The following transactions are considered material transactions requiring Board approval:

- All investment and divestment transactions of the Company.
- Strategy revisions or amendments.
- Opening of new and closing of an existing bank account.
- Dividend payouts.
- Capitalization transactions – increasing and/or modifying the capital structure of the Company and those of the subsidiaries.
- Payments as specified in the Company's schedule of authority.
- External borrowings – for the amount and for the interest rates.
- Any other transactions as per the approved schedule of the authority matrix.

## **Board Appointment and Term**

The Company is managed by the Board of Directors, which consists of a Chairman and nine other Directors (although this number may vary). The Chair and all the Directors are appointed by a Royal Decree.

On April 23, 2021, Decree No. 54 of 2021 appointed the Chairman of the Board of Directors. By Decree No. 71 of 2021, on June 15, 2021, the rest of the Board was appointed for a term of three years. The term of the current Board commenced on June 15, 2021, and is on a renewable three-year term.

The Board that was reconstituted in 2021 continued during 2021. There were no elections in 2021 as the Board is selected by Royal Decrees.

The Board of Directors in 2021 is comprised of 10 members. All the Directors are non-executive. The Directors do not hold any shares in Bapco Energies.

## The Board's Composition

Sr. No.	Director Name	Designation	Executive/Non-Executive or Independent
1	His Highness Shaikh Nasser bin Hamad Al Khalifa	Chairman	Non-Executive & Independent
2	H.E. Shaikh Salman bin Khalifa bin Salman Al Khalifa	Vice-Chairman	Non-Executive & Independent
3	H.E. Dr. Mohamed bin Mubarak Bin Daina	Director	Non-Executive
4	Mr. Khaled Omar Mohamed Al Romaihi	Director	Non-Executive & Independent
5	Mr. Faisal Mohamed Hasan Al Mahroos	Director	Non-Executive & Independent
6	Mr. Abdulla Jehad Al Zain	Director	Non-Executive & Independent
7	Lord Edmund John Phillip Browne	Director	Non-Executive & Independent
8	Mr. Robert Warren Dudley	Director	Non-Executive & Independent
9	Mr. Anthony Bryan Hayward	Director	Non-Executive & Independent
10	Ms. Hadyah Mohammed Fathalla	Director	Non-Executive & Independent

## **Independent Directors**

Bapco Energies Directors (representing the shareholders and the Government of the Kingdom of Bahrain) have vast experience, in-depth regional knowledge, and a sound understanding of Bapco Energies operations and the environment in which it operates. Bapco Energies Directors are leading functionaries of the Government of Bahrain holding prominent roles in the functioning of the Government and so collectively can effectively discharge their responsibilities in all key areas, such as business matters, risk management, corporate governance, audit appointments, and senior management hire and compensation.

Given this strong and collective expertise, with the entire representation of the shareholders and the non-executive status of the majority of the Directors, the Board as the representatives of the shareholders suggests that the Board's current composition, with five sub-committee, is sufficient for the Board to function with judiciousness, experience specialization, and objectivity - and independently of executive management.

## **Induction and Evaluation of the Board Members**

The Company has an induction program in place, which is designed for new Directors. The induction program includes:

- An introductory pack containing among others, the Company Overview, Organization Chart, Terms of Reference of the Board and Board Committees, and key policies;
- Presentations on significant financial, strategic, and risk issues, project updates, and portfolio companies' overview; and
- Orientation meetings with key management as may be required.

The Company provided the Directors selected to the Board in 2021 with a formal and tailored induction.

## Board Meetings

Board meetings are to be convened four times a year. In the absence of meetings, resolutions by circulation are followed for transacting business. All resolutions are valid only when signed by majority of the Directors. The said resolutions are included in the items in the subsequent Board meetings. During the financial year ended 31 December 2022, meetings were held on:

Sr. No.	Director Name	Designation	Meeting Dates			
			March 30, 2022	June 29, 2022	Sept. 26, 2022	Dec.7, 2022
1	His Highness Shaikh Nasser bin Hamad Al Khalifa	Chairman	Yes	Yes	Yes	Yes
2	H.E. Shaikh Salman bin Khalifa Al Khalifa	Vice-Chairman	Yes	Yes	Yes	No
3	H.E. Dr. Mohamed bin Mubarak Bin Daina	Director	Yes	Yes	Yes	Yes
4	Mr. Khaled Al Romaihi	Director	Yes	Yes	Yes	Yes
5	Mr. Faisal Al Mahroos	Director	Yes	Yes	Yes	Yes
6	Mr. Abdulla Al Zain	Director	Yes	Yes	Yes	Yes
7	Lord Edmund Browne	Director	Yes	Yes	Yes	Yes
8	Mr. Robert Dudley	Director	Yes	Yes	Yes	Yes
9	Mr. Anthony Hayward	Director	Yes	Yes	Yes	No
10	Ms. Hadyah Fathalla	Director	Yes	Yes	Yes	Yes

## Senior Management

The Group Chief Executive Officer (GCEO) and the Senior Management of the Company are responsible for the proper management, supervision, and direction of the Company's business and affairs. In particular, the GCEO is responsible before the Board of Directors for the Company's technical, administrative, and financial affairs and such targets and policies as may be set by the Board.

The members of the Company's Senior Executive Management are as follows:

Sr. No.	Senior Management Member	Designation
1	H.E. Dr. Mohamed bin Mubarak Bin Daina	Acting Managing Director (from February 2022 to July 2022)
2	Mark Joseph Thomas	Group Chief Executive Officer
3	Hayam Al Awadhi	Group Chief Financial Officer (until August 31, 2022)
4	Dr. Osama Rayis	Group Chief Financial Officer (from September 1, 2022)
5	Noufa Abdulla Al Sowaidi	Group Chief Human Resources Officer
6	Elina Mohamed	Group General Counsel (from May 1, 2022)
7	Dr. Hassan Al Mulla	Vice President – Portfolio
8	Mohamed Al Shehab	Vice President – Investment
9	Mohamed Adel Sater	Vice President – Information Technology
10	Ashish Dikshit	Manager – Finance

## Adoption of Code of Conduct

The Board and the employees of Bapco Energies are expected to maintain the highest level of corporate ethics and personal behavior. A written “Code of Business Conduct and Corporate Compliance” exists in the Company, which provides an ethical framework for all employees in the conduct of its business.

Apart from the existing code of conduct, the Board is in the process of implementing a whistleblower policy to monitor compliance with the ethical requirements of the code of conduct.

The code of conduct provides a direction for conducting business, interacting with government entities, and business partners, and general workplace behavior having regard to the best practices of corporate governance models and ethics.

The code also sets out a behavioral framework for all employees in the context of a wide range of ethical and legal issues.

## COMMITTEES

A total of five committees have been established by Bapco Energies, namely the Audit Committee, the Nomination, Remuneration, and Governance Committee, the Executive Committee, the Risk and Cybersecurity Committee, and the Innovation and Sustainable Development Committee.

### Audit Committee

The Purpose of the Audit Committee is the following:

The AC’s role is to assist the Board to achieve its objective and to:

- a) Ensure integrity and quality of the financial reporting process.



- b) Ensure effectiveness of internal controls.
- c) Monitor the Company's legal and ethical compliance.
- d) Ensure performance and independence of the Company's auditors.
- e) Maintain effective working relationships with the Board, management, and the internal and independent auditors.

### Audit Committee Members

The audit committee comprises the following three directors:

Sr. No.	Director Name	Designation	Executive/Non-Executive or Independent	Number of Shares Held
1	H.E. Shaikh Salman bin Khalifa Al Khalifa	Chairman	Non-Executive & Independent	None
2	Mr. Khaled Al Romaihi	Director	Non-Executive & Independent	None
3	Mr. Anthony Hayward	Director	Non-Executive & Independent	None

### Nomination, Remuneration & Governance Committee

The Nomination, Remuneration & Governance Committee's role is to assist the Board to achieve its objectives and to ensure that:

- The Directors and Senior Executives of Bapco Energies are remunerated fairly and appropriately.
- Remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders and rewarding and motivating the Company's management and employees to attract and retain employees.
- Human Resources' policies and practices are consistent with and complementary to, the strategic direction and objectives of the Company as determined by the Board.
- Proper succession plans for Directors and Senior Executives are in place.
- The composition of the Board and Board Committees (including the NRGCC) reflects appropriate skills, expertise, and diversity.
- Annual performance evaluation of the Directors, Board Committees, and the Board is conducted.
- The Company adopts sound corporate governance frameworks consistent with the Bahrain CG code and international practice.

### Nomination, Remuneration & Governance Committee Members

The Nomination, Remuneration & Governance Committee meetings are held at least two times a year and comprise of the following three Directors:

Sr. No.	Director Name	Designation	Executive/Non-Executive or Independent	Number of Shares Held
1	Mr. Anthony Hayward	Chairman	Non-Executive & Independent	None

2	Mr. Faisal Al Mahroos	Director	Non-Executive & Independent	None
3	Mr. Abdulla Al Zain	Director	Non-Executive & Independent	None

### Nomination, Remuneration & Governance Committee Meetings and Attendance

Four meetings of the Nomination, Remuneration, and Governance Committee have been held in 2022. The following schedule of attendance at committee meetings is for the members of the reconstituted Nomination, Remuneration & Governance Committee:

### Executive Committee

The Executive Committee's role is to assist the Board to achieve its objective and to ensure that:

- a) The Company improves revenue and contribution to the National Economy.
- b) Oversees and collaborates with the subsidiaries and operating companies.
- c) Reviews and periodically recommends to the Board the investments and operational matters.
- d) Optimizes growth and operating efficiencies.
- e) Provides guidance to the Board and Management on strategy and major policy issues.

### Executive Committee Members

The Executive Committee meetings are to be convened at least four times a year and comprise the following four directors:

Sr. No.	Director Name	Designation	Executive/Non-Executive or Independent	Number of Shares Held
1	H.E. Dr. Mohamed bin Mubarak Bin Daina	Chairman	Executive	None
2	Mr. Khaled Al Romaihi	Director	Non-Executive & Independent	None
3	Mr. Abdulla Al Zain	Director	Non-Executive & Independent	None
4	Mr. Robert Dudley	Director	Non-Executive & Independent	None

### Risk & Cybersecurity Committee

The Risk & Cybersecurity Committee's role is to assist the Board to achieve its objectives and to ensure that all risks in its business and operations are identified, assessed, managed, and monitored. The Committee oversees the risks in the Company, investments, and OpCos with a focus on:

- a) Business risk
- b) Operational risk
- c) Regulatory and compliance risk
- d) Business continuity risk

- e) Disaster management risk
- f) Data privacy risk

### **Risk & Cybersecurity Committee Members**

The Risk & Cybersecurity Committee meetings are to be convened at least four times a year and comprise of the following Directors:

<b>Sr. No.</b>	<b>Director Name</b>	<b>Designation</b>	<b>Executive/Non-Executive or Independent</b>	<b>Number of Shares Held</b>
1	Mr. Robert Dudley	Chairman	Non-Executive & Independent	None
2	Mr. Faisal Al Mahroos	Director	Non-Executive & Independent	None
4	Ms. Hadyah Fathalla	Director	Non-Executive & Independent	None

### **Innovation & Sustainable Development Committee**

The purpose of the Innovation & Sustainable Development Committee is to exercise the Board's powers and authority in the management of the Company's business and affairs with respect to:

- a) Strategies and priorities in relation to innovation and sustainable development.
- b) Climate change and sustainability initiatives such as carbon reduction and waste minimization.
- c) Innovative or disruptive strategies and programs.
- d) Innovative approaches to identifying and addressing climate change-related issues in operations.
- e) Communications strategies to appraise the stakeholders and public relating to innovation and sustainable development.

### **Innovation & Sustainable Development Committee Members**

The Innovation & Sustainable Development Committee meetings are to be convened at least two times a year and comprise the following three Directors:

<b>Sr. No.</b>	<b>Director Name</b>	<b>Designation</b>	<b>Executive/Non-Executive or Independent</b>	<b>Number of Shares Held</b>
1	Lord Edmund Browne	Chairman	Non-Executive & Independent	None
2	H.E. Dr. Mohamed bin Mubarak Bin Daina	Director	Executive	None
3	Ms. Hadyah Fathalla	Director	Non-Executive & Independent	None

## AUDITORS

The statutory auditors of the Company, for the year ended 31 December 2022, are PricewaterhouseCoopers ME Limited (“PwC”).

## RELATED PARTY TRANSACTIONS

The Board has defined the authority limits for all transactions and binding comments that are entered into with related parties. Transactions on commercial terms are subject to approval by the designated executive management of the Company and transactions other than on commercial terms or arising from signing agreements with related parties or giving rise to a conflict of interest with Directors or senior management are subject to the Board approval.

All significantly related party transactions are disclosed in Note 13 and 33 to the Company’s financial statements.

## CONTRIBUTIONS TO SOCIETY

The company has a Corporate Social Responsibility Policy and was presented to the Board of Directors and was approved on April 02, 2023.

In 2022, the Company made the following charitable and social contributions.

Entity	Project	Impact Area
Derasat Bahrain Center for Strategic and International Energy Studies	Sponsorship for 2 <sup>nd</sup> IAEE MENA Forum	Environment
Eleven Global Media	Sponsorship for Asian Handball Championship	Youth & Sports
Worldwide Energy Events Experts FZ LLC	Platinum Sponsorship for LEWAS Initiative	Women
Hope Venture Holding B.S.C	Sponsorship for Beban TV Show Season 2 & 3	Youth & Environment
ICONEX W.L.L	Sponsorship for RECISO Envirospill 2022	Environment
Dar Al Bilad for Journalism Publishing and Distribution	Breast Cancer Awareness Event	Health & Wellness
Bahrain World Tour Cycling Team	Sponsorship for World Tour Cycling – 2022	Sports & Health

Royal Humanitarian Foundation	Sponsorship of University Student Education (3 years fees)	Youth & Education
Bahrain Food Bank (Conserving Bounties)	Volunteered at the Ramadan Charity Kitchen	Society

## OTHER MATTERS

To the best of the Board's knowledge and belief, there were no irregularities committed by the Directors, management, or staff during the year ended 31 December 2022.

### Means of Communication with Shareholders

Decree no 75 of 2022 naming the Minister being the shareholder representative for Bapco Energies on December 08, 2022, naming H.E. the Minister of Finance and National Economy as the shareholder representative for the Company. H.E., the Minister, is the Vice Chairman of the Board of Directors. In this role, the Vice Chairman is integral to Bapco Energies communications with its shareholder, the Government of the Kingdom of Bahrain.

### Review of Internal Control Processes and Procedures

The Audit Committee monitors the internal procedure and policies of the Company to ensure that there is a sound and effective control environment. This is done through the internal audit function of the Company.

Any major changes in policies and procedures for the Company must be approved by the Board Members before implementing it in the Company.

### Announcement of the Results

As a closely held company, Bapco Energies is not required to publish its results publicly. However, as part of the information undertaking for its multi-billion-dollar Global Medium Term Note Program, Bapco Energies publishes its annual audited financial statements on its website. Further, since the Government of the Kingdom of Bahrain owns the Company, the results are also communicated directly to the Ministry of Finance and National Economy.

### Corporate Governance Disclosures

The current corporate governance framework is under revision and hence has not been disclosed. The revised corporate governance framework will be disclosed when the revision is completed.

### Statement of the Board's Responsibilities Regarding the Preparation of the Company's Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with applicable accounting standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.