



CORPORATE GOVERNANCE REPORT
2018



His Royal Highness,
Prince Khalifa bin Salman
Al Khalifa

The Prime Minister of
the Kingdom of Bahrain



His Majesty
King Hamad bin Isa
Al Khalifa

The King of the
Kingdom of Bahrain



His Royal Highness,
Prince Salman bin Hamad
Al Khalifa

The Crown Prince, Deputy
Supreme Commander and
First Deputy Prime
Minister of the Kingdom of
Bahrain



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PM TERMINALS

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PM TERMINALS

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APM TERMINALS BAHRAIN AT A GLANCE

Khalifa Bin Salman Port (“**KBSP**”) is the only general commercial port facility in the Kingdom of Bahrain which is managed and operated by APM Terminals Bahrain B.S.C. (the “**Company**”). Located on 900,000 square metres of reclaimed land, the port has 1,800 metre quay which includes a container terminal served by four 61 metres post-panamax cranes, as well as general cargo, RO-RO and passenger facilities. Passenger facility includes a dedicated passenger terminal that is capable of handling cruise and ferry calls.

KBSP is one of the multi-purpose deep water facilities located in the Middle East. Through its diverse service offering, KBSP is capable of handling the following:

- Containers – Used in the import and export of packaged cargo carried by container ships. Container dimensions range from 20, 40, 45 foot and are measured in Twenty Foot Equivalent Units (TEU). These can be broken down into two broad sub-categories:
 - i. Local – EXIM of TEUs with origin or destination being local; and
 - ii. Transshipment – a TEU which is transferred from one ship to another at some point during the journey without leaving the port where the transfer is taking place, is said to be transhipped.
- General Cargo – Consists typically of commodity goods bulk or break-bulk including livestock, steel, sugar, construction materials and RO-RO, passengers etc.



CORE PURPOSE

APM Terminals Bahrain B.S.C. is a company established for managing and operating the public port of Kingdom of Bahrain in a safe, efficient, customer minded and profitable manner and to be known and recognized as such.

OUR VISION

To provide the foundation for national and regional commerce.

OUR MISSION

APM Terminals Bahrain B.S.C. is committed to delivering efficient and cost-effective world class port services in a safe, secure and environmentally friendly manner, while being a good corporate citizen that provides competitive returns to its stakeholders.

In line with APM Terminals' group philosophy of "*Lifting global trade*", and the Maersk Group's vision "*to become the global integrator of container logistics aiming to connect and simplify our customers' supply chain*", the Company strives to provide the right infrastructure and expertise to realise this vision by focusing on the following four core areas:

Services – KBSP is designed to provide multiport facilities to users in the Northern Gulf. Customers include shipping lines, import agencies, export agencies, private jetties, military beneficial cargo owners and traders. Services are provided with world class productivity, excellent infrastructure, operational scalability and flexibility in the range of services provided to customers. The Company strives to constantly improve the quality and range of services provided to customers. The Company actively collaborates with the Ports and Maritime Affairs ("**PMA**") and the Economic Development Board of Bahrain to facilitate new investments into Bahrain, attracted by the capabilities of the KBSP's facilities and Company's service offering;

Customers – The Company strives to continuously enhance its customers' experience by providing high levels of (1) products and services, (2) operational performance, (3) personal contact points and (4) customer responsiveness. The Company has put in place a dedicated customer services team to address customer requirements and periodically survey customer satisfaction. Towards this goal, the Company has implemented the ISO 9001:2015 quality assurance system throughout the organisation;

Sustainability – The Company aims to provide the safest possible environment for the people and goods within its facility with a minimum adverse impact to the environment; and

Employees – The Company actively invests in hiring, training and developing the best talent with a special focus on Bahrainization. As of December 2018, the level of Bahrainization stands at 64%. Furthermore, the Company has in place a collective bargaining agreement with the General Union of Marine Ports Labours to address various issues including the training, development, insurance and compensation needs of its frontline employees. Progress made on the various aspects of employee satisfaction are measured in the employee engagement survey annually. Moreover, an annual employee performance appraisal is carried out for effective performance management and career growth.



DAVID SKOV
Chairman

- Mr. Skov has been with the A.P. Moller-Maersk Group for more than 20 years and is Head of Terminals for IMEA, responsible for portfolio management of APM Terminals controlled terminals in India, Middle East and Africa since January 2017
- Mr. Skov serves as a board member in a number of APM Terminals entities
- Mr. Skov has completed a Master's in Business Administration at the Warwick Business School in the United Kingdom and has degrees in International Business as well as Organisation and Leadership



FAWZI AHMED KANOO
Vice Chairman

- Mr. Kanoo is currently the Deputy Group Chairman and Acting Group CEO of Yusuf Bin Ahmed Kanoo (Holdings) Co. W.L.L., a multi-national organisation, having offices throughout the Arabian Gulf and Saudi Arabia
- Mr. Kanoo holds directorship in various companies internationally. Specifically, Mr. Kanoo holds directorships in public listed companies in Bahrain namely Gulf Hotels Group BSC, Bahrain Ship Repairing & Engineering Co. BSC
- He holds a Bachelor's Degree in Business Administration from South West Texas State University



SOREN SJOSTRAND JAKOBSEN
Executive Director

- Mr. Jakobsen is the Head of Terminals and Portfolio Manager for joint ventures in Middle East, Africa, South Asia and Russia portfolio of APM Terminals. He has joined the A.P. Moller-Maersk group in 1980 and has held various positions of importance within the Maersk Group
- Mr. Jakobsen serves as a board member in a number of APM Terminals entities
- Mr. Jakobsen has bachelor degree in shipping and business with various management programs including at IMD and INSEAD

BOARD OF DIRECTORS



JESPER KJAEDEGAARD **Non-Executive / Non-Independent Director**

- Mr. Kjaedegaard has spent almost 40 years in the maritime industry and is currently serving as an Advisor/Board member for several maritime related companies
- Mr. Kjaedegaard is also a Board Member at BIMCO and past President of the British Chamber of Shipping and Chairman of Maritime, UK
- Mr. Kjaedegaard is a graduate from Copenhagen's Commercial College and has subsequently attended several Management Programs including AMP (Harvard)



MOHAMMED AL-SHROOGI **Independent Director**

- Mr. AlShroogi was Investcorp's Co-Chief Executive Officer. He joined Investcorp in 2009 as President of the Firm's Gulf Business. He oversaw the development of private equity investment business in the MENA and Turkey region
- Mr. AlShroogi has been a member of the Bahrain Shura Council, Member of the Board of Trustees at Bahrain University and a member of the Bahrain Economic Development Board
- Mr. AlShroogi studied at Kuwait University, the Harvard Management Executive Program



NADHEM SALEH AL SALEH **Independent Director**

- Mr. AlSaleh is an Assistant Professor of Finance at University of Bahrain. He has 44 years of experience in the areas of business administration, financial management, accounting, quality assurance, training development, financial planning and budgeting
- He is also a Board Member of Solidarity Bahrain B.S.C.; Member of Board of Trustee of Kanoo Award for Creativity & Excellence
- Mr. AlSaleh holds a Ph.D. in Finance from Brunel University, England; MBA from University of Pennsylvania, USA and Bachelor Degree in Petroleum Engineering from University of Baghdad, Iraq

THE MANAGEMENT



SUSAN HUNTER **Chief Executive Officer (CEO)**

- Mrs. Hunter joined the Company as the CEO in February 2019
- Mrs. Hunter has been part of Maersk since 2009. In 2017, she was appointed as Head of Operational Excellence Programme to deliver on APM Terminals strategy
- Mrs. Hunter holds an MBA from TRIUM, a jointly appointed degree from London school of economics, New York University and HSE Paris



FAROOQ ZUBERI **Chief Financial Officer (CFO)**

- Mr. Zuberi joined the Company as the CFO in June 2018
- Prior to joining the Company, he has worked in senior leadership roles with Global Fortune 500 companies across several industries
- Mr. Zuberi is a Chartered Accountant from ICAP as well as Chartered Certified Accountant from ACCA - UK. He also holds a Bachelor of Commerce from University of Karachi



SUNIL JOSEPH **Chief Commercial Officer (CCO)**

- Mr. Joseph has over 25 years of experience in shipping primarily within the GCC countries, focused on commercial and leadership roles within Maersk Group. He also served as Country Manager for Maersk Line in Oman and has been instrumental in establishing Maersk Line's office in Qatar in 2002
- He holds a bachelor degree in English Literature and a Diploma in Business Management supported by executive education from Columbia Business School
- He is currently a director at Kanoo Terminals Services



BO LANGE
Chief Operations Officer (COO)

- Mr. Lange served as the Regional COO for APMT Africa Inland from July 2015
- Mr. Lange's previous work experience includes his tenure as Global Head of Operations for Damco in The Hague, Netherlands and several other senior operational roles within Damco across the Netherlands, Denmark and the Middle East
- He holds a national Master of Science degree from the University of Copenhagen, Denmark



JORDANA SEMAAN
GM Human Resources (GM, HR)

- Mrs. Seeman was the Country Head of HR for Bahrain and Saudi Arabia for a large multinational company in logistics field
- Mrs. Semaan has held several high-profile posts and has worked in Bahrain, Saudi Arabia and France and has over 14 years of experience
- Mrs. Semaan holds a Bachelor's Degree in Business Management and is CIPD level 5 certified



INTRODUCTION

Adherence to corporate governance principles is a foundation attributed for a healthy organisation. We at APM Terminals Bahrain B.S.C., are committed to aspire to the highest standards of corporate governance, which as a key factor ensures fairness to all stakeholders of the Company. It sets the tone as to how the Company operates and behaves both internally and to the market generally. It defines the relationship between the Board of Directors ("**Board**"), management and the rest of the organisation.

The Company has Board approved policies for risk management, compliance and internal controls, in accordance with the applicable laws, rules and guidelines. The Board's adherence to best practice in corporate governance is underlined by various principles such as transparency, integrity, independence, accountability, responsibility, fairness and social responsibility. The Board has adopted a Board of Director's Charter, together with the Company's Memorandum and Articles of Association as well as the Corporate Governance Manuals and Charters of Board Committees, that provide the authority and practices for corporate governance at APM Terminals Bahrain B.S.C.

The adoption and implementation of corporate governance is the direct responsibility of the Board. The Board is committed to excellence in corporate governance, and adheres to rules of the High-Level Controls Module ("**HC Module**") of the Central Bank of Bahrain ("**CBB**"); and the principles of the Corporate Governance Code and Commercial Companies Law of the Kingdom of Bahrain issued by the Ministry of Industry, Commerce and Tourism.



1. SHAREHOLDER'S INFORMATION

APM Terminals Bahrain B.S.C.'s shares are listed on the Bahrain Bourse. The Company has issued 90,000,000 ordinary equity shares, each with a nominal value of 100 fils. All shares are fully paid up.

1.1. DISTRIBUTION OF SHAREHOLDING BY NATIONALITY AS OF 31 DEC 2018

Nationality	No. of Shareholders	No. of Shares	% of outstanding Shares
Bahrain	638	28,595,467	31.77
Netherlands	1	57,600,000	64.00
Kuwait	4	378,326	0.42
Saudi Arabia	11	1,141,856	1.27
United Arab Emirates	2	527,846	0.59
Oman	4	236,056	0.26
Others	103	1,520,449	1.69
Total	763	90,000,000	100.00

1.2. DISTRIBUTION OF OWNERSHIP ACCORDING TO THE PERCENTAGE OF SHAREHOLDING AS OF 31 DEC 2018

Particulars	No. of Shares	No. of Shareholders	% of outstanding Shares
Less than 1%	15,387,617	759	17.10
1 % up to less than 5%	2,612,383	2	2.90
5 % up to less than 10%	0	0	-
10 % up to less than 20%	14,400,000	1	16.00
More than 50%	57,600,000	1	64.00
Total	90,000,000	763	100.00

1.3. MAJOR SHAREHOLDERS(S) (5% AND ABOVE) AS OF 31 DEC 2018

Shareholder's Name	Ultimate Beneficiary	Shareholdings	% of shareholding
APM Terminals B.V.	Maersk Holding B.V.	57,600,000	64
Yusuf Bin Ahmed (Holdings) Co. W.L.L.	Various ultimate beneficiaries	14,400,000	16

1.4. OWNERSHIP BY GOVERNMENT

The Government of Bahrain is not holding any shares in the Company, however Public Authority for Social Insurance in Oman owns 40,682 shares in the Company.

2. RESPONSIBILITIES AND DUTIES OF BOARD MEMBERS

The Board provides governance, guidance, insight and overall leadership to the Company and owes fiduciary duty of care and loyalty to the Company and its Shareholders. The Board is responsible for establishing controls and overseeing the actions of the executive management, development of and decision on building a robust business strategy and long- term profitability, while safeguarding the interests of the Shareholders. The Board is a sparring partner for the executive management and must be prepared to question and scrutinize the way the Company is managed, present alternative views and have the ability to act in the face of obvious wrong doings. The Board must continuously ensure that its composition and way of working adequately addresses and complements the day to day working and operations of the Company.

The Board is accountable to the Shareholders for creation and delivery of strong sustainable financial performance and long-term Shareholder value. The Board works together as a team to provide strategic leadership to staff, ensure the organisation’s fitness for purpose, set the values and standards for the organisation, and ensure that sufficient financial and human resources are available.

The Board’s role and responsibilities are outlined in the Board charter of the Company. Transactions are carried out in accordance with the Company’s Authority Matrix which lays down various levels of authority for the Board as well as the executive management. This includes strategic issues and planning; review of management structure and responsibilities; disposal of assets; investment policies; capital expenditure; authority levels; policies; appointment of certain officers, review of financial statements; financing and borrowing activities; and reviewing the adequacy and integrity of internal systems, regulatory and control framework.

2.1 BOARD MEMBER DETAILS FOR THE YEAR 2018

Board Member	Position	Capacity	Term
David Skov	Chairman	Executive	16 Feb 2018 to 13 Dec 2018 13 Dec 2018 to 12 Dec 2021
Fawzi Ahmed Kanoo	Vice-Chairman	Executive	20 May 2006 to 18 Jun 2012 31 Jul 2018 to 13 Dec 2018 13 Dec 2018 to 12 Dec 2021
Soren Sjostrand Jakobsen	Director	Executive	18 Jun 2013 to 17 Jun 2016 18 Jun 2016 to 13 Dec 2018 13 Dec 2018 to 12 Dec 2021
Jesper Kjaedegaard	Director	Non-Executive / Non-Independent	13 Dec 2018 to 12 Dec 2021
Mohamed Bin Ebrahim Juma Alshoorgi	Director	Independent	13 Dec 2018 to 12 Dec 2021
Nadhem Saleh Al-Saleh	Director	Independent	13 Dec 2018 to 12 Dec 2021

Board Member	Position	Capacity	Term
Philip English	Former Vice-Chairman	-	14 Mar 2018 to 30 Jul 2018
Ahmed Hassan	Director	-	19 Jul 2016 to 13 Dec 2018
Steven Yoogalingam	Director	-	19 Dec 2017 to 13 Dec 2018
Kevin Murphy	Former Vice-Chairman	-	2 Jun 2017 to 14 Mar 2018
Peder Sondergaard	Director	-	8 Jul 2014 to 26 Jan 2018

The Company converted from a closed joint stock company to a public joint stock company in December 2018. Post conversion, the Company is listed on Bahrain Bourse since 9 December 2018. Furtherance to the listing of the Company, a Constituent General Assembly Meeting was held on 13 December 2018, wherein the then existing Board of Directors were discharged from their seats and liabilities. A new Board of Directors of six directors (for a public shareholding company) were appointed/ elected on 13 December 2018, as per the below composition:

- 2 independent directors (1/3rd of the total board size);
- 1 non-executive director (half of the total board size including independent directors); and
- 3 executive directors.

Mr. David Skov and Mr. Fawzi Ahmed Kanoo were elected as the Chairman and Vice-Chairman respectively in the 51st Board Meeting held on 24 February 2019.

2.2 INDUCTION AND TRAINING OF DIRECTORS

The Director's Board Charter recommends formal and tailored Director's induction program. The Chairman in coordination with the Secretary ensures that each new Director, upon appointment, receives a formal induction, to ensure his/her contribution to the Board from the beginning of their tenure.

The induction process includes meetings with the Executive Management, visits to the Company's facilities, presentations regarding significant strategic, financial, compliance and risk management related matters, its internal, external auditors and legal counsel.

2.3 DIRECTOR APPOINTMENT LETTER

As a member of the Board, each Director has signed a formal written appointment letter which covers among other things, the Director's duties and responsibilities in serving on the Board, the terms and conditions of their directorship, the annual remuneration and entitlement to reimbursement of expenses and access to independent professional advice when needed.

2.4 ATTENDANCE OF DIRECTORS AT EACH MEETING IN 2018

Board Member	29 Mar 2018	11 Jun 2018	30 Jul 2018	17 Sep 2018
David Skov	✓	✓	✓	✓
Philip English	✓	✓	Resigned	Resigned
Fawzi Ahmed Kanoo	Appointed on 31 Jul 2018	Appointed on 31 Jul 2018	✓	✓
Soren Sjostrand Jakobsen	✓	✓	✓	✓
Ahmed Hassan	X	X	X	X
Steven Yoogalingam	X	X	X	X
Philip English	✓	✓	Resigned	Resigned
Kevin Murphy	X	Resigned	Resigned	Resigned
Peder Sondergaard	Resigned	Resigned	Resigned	Resigned

2.5 ELECTION AND TERMINATION OF DIRECTORS

There are formal and transparent procedures for the appointment/ election of new directors to the Board, in accordance with applicable laws. Candidates are appointed/ elected based on merit, in line with the objectives of the Company and with due regards to the benefit of diversity on the Board in accordance with the applicable laws.

The term of the Board is for 3 years, commencing from 13 December 2018, unless terminated in accordance with the applicable laws in the Kingdom of Bahrain.

2.6 SHAREHOLDING BY MEMBERS OF THE BOARD

No members of the Board own any shares directly in the Company.

2.7 DIRECTOR'S TRADING OF COMPANY SHARES DURING THE YEAR

There has been no trading of Company's share by the Board during 2018.

2.8 REMUNERATION POLICY OF THE BOARD OF DIRECTORS

The Board's remuneration is governed by provisions of the Commercial Companies Law 2001 and the CBB rules. The Board's remuneration requires approval by the Shareholders at the ordinary general meeting. The Board's remuneration is reviewed by the Nomination, Remuneration & Governance Committee as per the remuneration policy. Directors' remuneration is accounted as an expense as per international accounting standards.

The Chairman and Vice-Chairman of the Board prior to the conversion of the Company were entitled to BHD 4,000 remuneration per annum respectively. Other members of the Board were not entitled to any remuneration. No sitting fee and bonus was paid for 2018 to the Board.

Post conversion effective 13 December 2018, the Chairman would be entitled to remuneration of BHD 12,000 annually and other members of the Board would be entitled to remuneration of BHD 10,000 annually. In addition to the fixed fee, the Board is entitled to sitting fees as stated below:

- i. For Directors residing in Bahrain, a sitting fee of BHD 500 (Bahraini Dinars Five Hundred Only) for each face to face board meeting;
- ii. For Directors residing outside Bahrain, a sitting fee of BHD 1,000 (Bahraini Dinars One Thousand Only) for each face to face board meeting;
- iii. BHD 250 (Bahraini Dinars Two Hundred and Fifty only) for each board meeting attended through video or audio conferencing or through remote participation;
- iv. Sitting fee of BHD 250 (Bahraini Dinars Two Hundred and Fifty only) per committee meeting;
- v. For Directors residing outside Bahrain, the Company will provide return air tickets for traveling to Bahrain and accommodation to attend the Board Meetings of the Company. For Board meetings outside Bahrain the Company will provide air tickets and accommodation for all travelling Board members. Class of air travel and accommodation will be in accordance with the Company's travel policy (economy class for less than 6 hours travel).

2.9 EXECUTIVE MANAGEMENT DETAILS

Executive Management	Position	No. of Shares
Susan Hunter	Chief Executive Officer	-
Farooq Zuberi	Chief Finance Officer	4,546
Sunil Joseph	Chief Commercial Officer	-
Bo Lange	Chief Operations Officer	-
Jordana Seeman	GM, Human Resources	-

2.10 TOTAL REMUNERATION PAID TO KEY EXECUTIVE OFFICERS

Total remunerations paid to the key executive officers (the top five employees) for the year 2018, including salaries, benefits, allowances, increases, etc. is BHD 581,761 (Bahraini Dinars Five Hundred Eighty-One Thousand Seven Hundred Sixty One Only).

2.11 REMUNERATION AND PERFORMANCE-LINKED INCENTIVES

The Company's remuneration policy for its executive management and its employees is designed to attract, retain and motivate qualified and talented professionals. The Company adopts a global savings plan, which applies to certain of the Company's executive management whereby both the employer and the employee make contributions to an international savings plan provided by Zurich International. The Company does not currently have any share ownership or options schemes for its employees.

2.12 CODE OF CONDUCT

Company conducts itself in accordance with the highest standards of ethical behaviour, in accordance with the criteria and determinants of professional conduct and ethical values of the Corporate Governance Code. Global APM Terminals Code of Conduct has been developed to govern the personal and professional conduct of all employees, which the Company has adopted and is part of a mandatory document while on-boarding employees.

The Code of Conduct outlines core values of the Company including but not limited to areas of global labor relations, conflict of interest, data protection, social media communication, anti-corruption, interaction with Government officials, gifts and entertainment, competition law, foreign trade controls, anti-money laundering, fraud, insider information, safety and security, corporate social responsibility, human rights, charitable and political donations, environment, intellectual property, confidentiality, information security, whistleblowing, equitable treatment; ethics and acting responsibly, honestly, fairly and ethically, managing customer complaints etc.



3. BOARD COMMITTEES

The Board has established Audit, Risk and Compliance Committee and a Nominating, Remuneration and Governance Committee.

3.1 AUDIT, RISK AND COMPLIANCE COMMITTEE (“ARCC”)

The Audit, Risk and Compliance Committee has a written Charter approved by the Board (“**ARCC Charter**”). The ARCC Charter is an overall governing document laying out the roles and responsibilities of the Committee while ensuring compliance with the Corporate Governance Code and CBB Rulebook.

3.2 FUNCTIONS OF ARCC

The functions of ARCC in accordance with the charter are as follows:

- Review the quality and integrity of the Company's accounting and financial reporting practices;
- Review the integrity of the Company's financial controls, internal controls and financial statements;
- Review the Company's compliance with the relevant legal and regulatory requirements as well as the Code of Conduct of the Company;
- Recommend the appointment, compensation and oversight of the External Auditor;
- Recommend the appointment of the Internal Auditor; including the approval of internal audit policies and any reports and plans made thereof, in compliance with such policies and procedures;
- Review and approve various policies and procedures of the Company including the ones pertaining to risk management function, key persons dealing, market abuse, reports and plans submitted thereof in compliance with such policies and procedures;
- Review and approve annual and interim financial statements of the Company, recommend for additional or specific audit requirements in relation to financial statements or other relevant aspects of the Company's business; and
- Recommend and table discussion on management letter to be provided to the External Auditor.

3.3 SCOPE, MEMBERS, COMPOSITION AND REMUNERATION

The External Auditor and Internal Auditor of the Company shall report directly to the Committee. The scope of the Committee shall include matters relating to the financial reporting, risk management and compliance controls in the Company, and at minimum, would comprise of the matters such as reviewing the annual financial statements, reviewing the reports submitted by the Internal Auditor, oversee the compliance of the Company, ensure the Company has a whistle blower program in place, selection, remuneration and oversight of the External Auditor etc. As per the ARCC Charter, the Committee shall meet at least four times a year. No committee meetings conducted in 2018 as the Company got listed in December 2018 and the ARCC was formed in 51st Board meeting held on 24 February 2019.

The members of ARCC are as follows:

ARCC Members	Independent/Non-Independent
Soren Sjostrand Jakobsen	Non-Independent
Mohamed Bin Ebrahim Juma Alshoorgi	Independent
Nadhem Saleh Al-Saleh	Independent

3.4 NOMINATING, REMUNERATION AND GOVERNANCE COMMITTEE (NRGC)

The Nominating, Remuneration and Governance Committee (NRGC) has a written Charter approved by the Board ("**NRGC Charter**"). The NRGC Charter is an overall governing document laying out the roles and responsibilities of the Committee while ensuring compliance with the Corporate Governance Code and CBB Rulebook.

3.5 FUNCTIONS OF NRGC

The functions of NRGC in accordance with the charter are as follows:

3.5.1 The Committee shall, in board terms and in respect of its nominating function:

- i. Identify persons qualified to become members of the Board or Executive Management and any other officers of the Company which the Board considers appropriate, except for the appointment of the internal auditor, which is the responsibility of ARCC;
- ii. Make recommendations to the whole Board, including recommendations of candidates for Board membership (including renewals or reappointment) to be included by the Board on the agenda for the Shareholders' Annual General Meeting;
- iii. Review and make recommendations on Board candidates proposed by those substantial Shareholders eligible to propose a Director to represent such Shareholder on the Board.

3.5.2 The Committee shall, in board terms and in respect of its remuneration function:

- i. Review the Company's remuneration policies for the Board and senior management, which must be approved by the Shareholders and be consistent with the Company's corporate values and strategy;
- ii. Make recommendations regarding remuneration policies and amounts for specific persons to the whole Board, taking account of total remuneration including salaries, fees, expenses and employee benefits;
- iii. Recommend Board Member remuneration based on their attendance and performance.

3.6 SCOPE, MEMBERS, COMPOSITION AND REMUNERATION

The scope of the committee includes nomination, remuneration and governance matters relating to the Company and at minimum, would comprise of the matters such as overseeing the development and implementation of the Company's Corporate Governance Manual and other relevant governance policies of the Company as approved by the Board; ensure adherence to the principles of corporate governance; identification and selection of board candidates; review of compensation and remuneration; lead the Board in its annual review of the performance of the Board and its committees; establish board structure, composition and impart training and induction to the directors etc. As per the NRGC Charter, the Committee shall meet at least twice a year. No committee meetings conducted in 2018 as the Company got listed in December 2018 and the NRGC was formed in 51st Board meeting held on 24 February 2019.

The members of the NRGC are as follows:

NRGC Members	Independent/Non-Independent
Jesper Kjaedegaard	Non-Independent
Mohamed Bin Ebrahim Juma Alshoorgi	Independent
Nadhem Saleh Al-Saleh	Independent

4 CORPORATE GOVERNANCE FRAMEWORK

Company's Corporate Governance framework comprises of Board and Committee Charters; Code of Conduct; Standard operating policies and procedures (SOPs); internal controls and risk management systems; compliance procedures; internal and external audit; effective communications and transparent disclosure; and measurement and accountability.

As part of the IPO, the below mentioned manuals were adopted by the Company in the 50th Board Meeting held on 17 September 2018 and approved in the Constituent General Assembly Meeting on 13 December 2018:

- a) Corporate Governance Manual;
- b) Charter of Board of Directors;
- c) Audit, Risk and Compliance Committee Charter;
- d) Nominating, Remuneration and Governance Committee Charter;
- e) Whistle Blowing Policy;
- f) Code of Conduct;
- g) Corporate Social Responsibility Policy; and
- h) Risk Management Process

4.1 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company confirms its compliance with the Corporate Governance Code of the Kingdom of Bahrain and the High-Level Controls Module of Vol. 6 of the **CBB** Rule Book (**HC Module**) (jointly the "**Code**") except in the following instances mentioned below:

- HC- 1.4.6 to HC 1.4.8 stipulates that the chairman of the Board of Directors should be an independent director. The new Board was formed on 13 December 2018. The chairman has been appointed in the first board meeting post the establishment of the new Board, held on 24 February 2019. David Skov, an executive director was elected as the chairman of the Board. However, this does not compromise the high standards of corporate governance as the Company follows strict policies to manage conflict of interest in Board decisions. This is to ensure that APM Terminals will be able to deliver its obligations under the direct agreement, it has entered with the Government in relation to the management and operations of KBSP and the support that APM Terminals is required to provide;
- Given the Company got listed and the new Board was formed on 13 December 2018, the Board appointed BDO as an internal audit function in the first Board meeting post the establishment of the new Board, held on 24 February 2019;
- Given the Company got listed and the new Board was formed on 13 December 2018, the Company has formed the ARCC and NRGC Committees in the first Board meeting post the establishment of the new Board, held on 24 February 2019;
- Pursuant to the treasury advisory function provided by APM Terminals Management B.V. and as a matter of past practice, the Company deposits its excess cash with the parent company (A.P. Moller Maersk of its major shareholder (APM Terminals B.V.). The Company as of 31 December 2018, has deposited ~BHD19,668,306 with A.P. Moller Maersk A/S. The deposits are excess cash which are deposited with A.P. Moller Maersk A/S as part of the treasury advice and instructions received from

APM Terminals Management B.V., as part of the treasury advisory and execution services provided by it under the technical services agreement and direct agreement with the Company. These deposits are generally priced at LIBOR less 0.05% as administrative charge. Prior Board approval was not obtained as the transaction was conducted as a matter of past practice. However, the Board has approved the deposits made with A.P. Moller Maersk in 51st Board Meeting held on 24 February 2019. David Skov, Soren Sjostrand Jakobsen and Jesper Kjaedegaard being appointed by APM Terminals B.V., did not participate in the voting process. Given there has been no ordinary general meeting post the CGM, Shareholders' approval is yet to be obtained on the same. Therefore, Shareholders' approval would be requested in the upcoming Annual General Meeting.

- The related party transaction details of FY 2018 are disclosed in Note 21 to the Consolidated Financial Statements. Due to the nature of the transactions (i.e. transactions being business as usual) and transactions being conducted at arm's length basis, prior Board approval was not obtained for certain transactions as detailed below. However, the Board has approved the related party transactions made after the listing of the Company until 31 December 2018 in 51st Board Meeting held on 24 February 2019.

Entity Name	Contract Term Dates	Expenses	Revenue	Justification
Al Manhal Water Factory	01/12/2018 to 30/11/2020	6	-	They were the lowest bidders among all qualified suppliers
Bahrain International Cargo Services (BICS)	Services provided as and when required Credit Agreement term is for 01/1/2019 to 31/12/2023	-	118	1. Services provided as part of the routine business governed by standard terms of Business 2. Space for storage for which board approval has already been obtained 3. There is a credit agreement as per our standard terms for a credit limit of BHD 15,000 and credit duration of 30 days
APL (Bahrain) W.L.L. (APL)	Services provided as and when required Credit Agreement term is for 1/1/2018 to 31/12/2019		1,535	1. Services provided as part of the routine business governed by standard terms of Business 2. There is a credit agreement with APL for a credit limit of BHD 175,000 and credit duration of 30 days
Bahrain Ship Repairing & Engineering Company B.S.C. (BASREC)	Services procured as and when required	1	-	BASREC is the only company in Bahrain who is approved to do container repair. Services obtained on adhoc basis

Entity Name	Contract Term Dates	Expenses	Revenue	Justification
M/S UASAC BAHRAIN/ HapagLloyd Bahrain WLL	Services provided as and when required Credit Agreement term is for 01/1/2019 to 31/12/2023		3,341	1. Services provided as part of the routine business governed by standard terms of Business 2. There is a credit agreement as per our standard terms for a credit limit of BHD 350,000 and credit duration of 30 days
Bahrain Airport Services B.S.C.(C) (BAS)	01/03/2017 to 28/02/2019	53	-	Catering services provided pursuant to the agreement which is already approved by the Board
Maersk Line A/S		9	2,052	1. Services provided as part of the routine business governed by standard terms of Business 2. Furthermore, outsourcing agreement with GSC for an FTE to assist in Reporting, Management dashboards & miscellaneous reports of the Company
YOUSUF BIN AHMED. KANOO W.L.L. (YBA Kanoo)	Credit Agreement term is for 01/05/2017 to 30/04/2018	22	950	1. Services provided as part of the routine business governed by standard terms of Business 2. Inventory procured and other expenses incurred for business needs at arm's length basis 3. There is a credit agreement as per our standard terms for a credit limit of BHD 350,000 and credit duration of 30 days
Aqaba Container Terminal		1		Recharge for General Expenses
APM Terminals AMI		1		Recharge for General Expenses
Maersk Training DWC-LLC		2		Training & related costs
Maersk Training Svendborg A/S	24/10/2018 to 23/10/2023	4		Training & related costs
APM Terminals Management B.V.	Concession Term	251	-	Services provided pursuant to Technical Services Agreement which is already approved by the Board
Svitzer Bahrain (S.P.C)	Concession Term	3,261	-	Services provided pursuant to Sub Concession Agreement which is already approved by the Board

Entity Name	Contract Term Dates	Expenses	Revenue	Justification
APM Terminals B.V.		350	-	Services provided pursuant to Technical Services Agreement which is already approved by the Board

*All amounts are in BHD'000 and have been rounded up to nearest thousand.

5 AUDITORS

KPMG Fakhro is the External Auditor since inception of the Company. Given their services have been satisfactory, the shareholders of the Company decided to re-appoint KPMG Fakhro as the External Auditors for FY 2018. The ARCC reviews the appointment of the external auditors, as well as their relationship with the Company, including monitoring the Company's use of the auditors for non-audit services. The Committee also approves the appointment of the internal auditors and determines the remuneration. Fees paid in 2018 were as follows:

Fees based on Services	Amount (in BHD)
Audit Fees	15,000
Non-Audit Fees (including IPO related engagements, Arabic translation of FS, Revenue & Transshipment assurance reports, Tax advisory service and other professional services)	57,305

6 RELATED PARTY TRANSACTIONS, CONFLICT OF INTEREST & OTHER MATTERS

6.1 RELATED PARTY TRANSACTIONS

The Company is party to a number of agreements and arrangements with its shareholders and other related parties. The Company already has in place and acts in accordance with a robust Corporate Governance Manual which governs related party transactions. Standard operations procedures and approvals are followed for all contracts that are entered into, to seek and ensure that there are no conflicts or preferences given to any specific entity.

The Directors make every practicable effort to arrange their personal and business affairs to avoid a conflict of interest situation with the Company. The Directors shall disclose their interests in other entities or activities to the NRCG committee on an annual basis, and inform the Bank of any conflict of interest whenever it arises, and abstain from voting on any related subject matter.

The related party transaction details are disclosed in Note 21 to the Consolidated Financial Statements.

6.2 CONFLICT OF INTEREST

As mentioned in point 4.1 above, the Company has entered into certain related party transactions including depositing its excess cash with A.P. Moller Maersk A/S. Please see explanation above in point 4.1.

6.3 INDEPENDENCE OF DIRECTORS

In line with the requirements of the CBB's HC Module, the Company has put in place Board-approved criteria to determine 'Independence' using formal requirements as specified in the CBB rule book. The independent directors are required to fill and submit a Personal Interest Disclosure Form ("PID") annually with the Company Secretary. The purpose of the PID is to determine whether the Director is: 'Independent of management, and any business or other relationships, which could materially interfere with the Director's ability

to exercise objective, unfettered or independent judgement; or the Director's ability to act in the best interests of the Company.

6.4 CORPORATE COMMUNICATIONS

Company conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels include an annual report, Company website, and regular regulatory announcements in the appropriate local media.

6.5 EVALUATION OF BOARD'S PERFORMANCE

In accordance with the Board Charter, the Board shall conduct an annual review and evaluation of Board and its committees' performance and the evaluation process in accordance with CBB guidelines.

7 CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to its role as a responsible corporate citizen. The Company's sustainability work is based on a long history of prudent behaviour with a view to long-term success, and on its commitment to abide by international standards, including the United Nations Global Compact. The Company continues to incorporate sustainability into its business processes, including leadership key performance indicators, training and investment decisions, in tandem with the global APM Terminals group.

As part of this process, the Company has identified the following areas of importance:

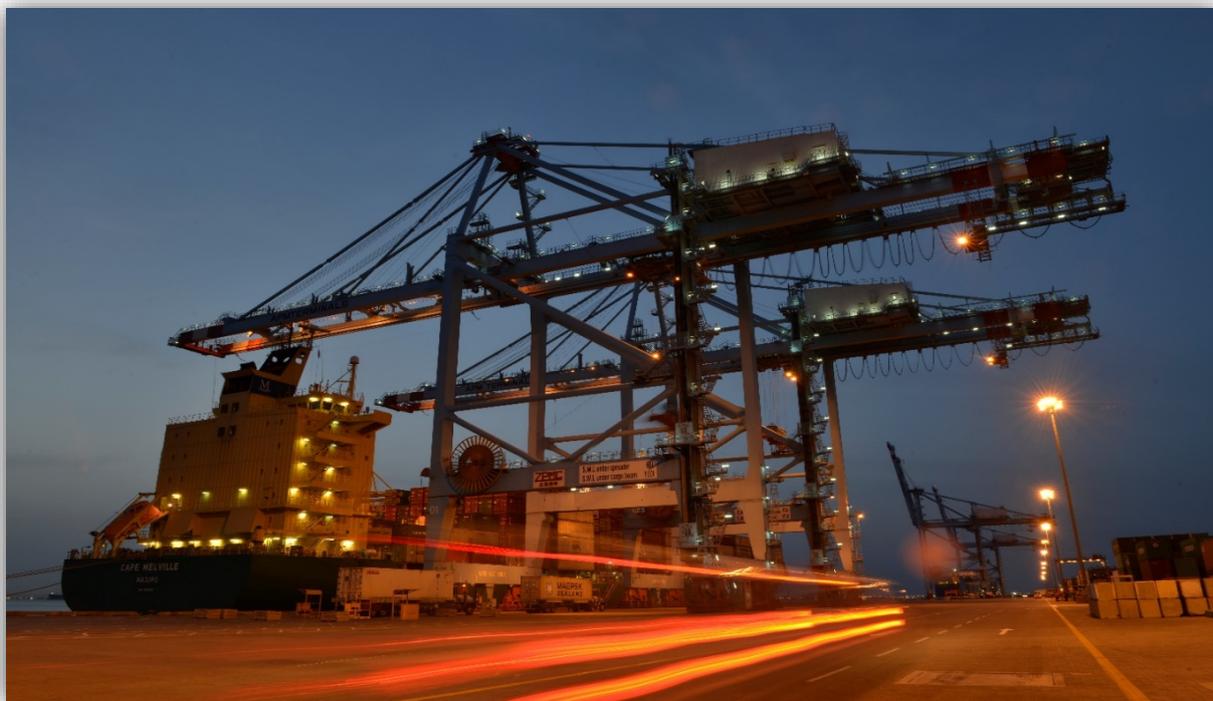
7.1 Climate – the Company continues to enhance KBSP's adoption of energy efficient methods to transport goods as well as in promoting energy-efficient supply chains and infrastructure. The Company also celebrated Earth Hour, World Environment Day, World Water Day, Go-Green Day, Ozone Layer Depletion Awareness seminar. The ultimate objective is to enable overall trade growth with fewer emissions;



7.2 Education – the Company has increased focus on education, contributing towards educating people in the local community. Company is contributing to maritime education in Bahrain by voluntary lectureship by members of the management team at Bahrain Polytechnic, which includes port familiarisation visits to KBSP. Their visits included a tour

in the port which resulted in helping the youth get a better idea about the port operations. Interactive sessions were conducted by senior management of the Company; and

7.3 Trade – enabling trade contributes to economic development and improved living standards, and the Company actively works with various stakeholders including customs authorities, the PMA, customers and the relevant Government agencies to enhance trade and minimise barriers.



The total amount spent on Corporate Social Responsibility for the year 2018 is ~BHD 2,000. The Corporate Social Responsibility Policy of the Company sets out the Company's commitment to continuing its efforts to incorporate sustainability into its business process. The Company's approach to corporate social responsibility is led by the executive management, headed by the CEO.

8 MANAGEMENT ANALYSIS AND PRINCIPAL RISKS

On 8 November 2006, the Company signed a 25 year Concession with the Government of Bahrain ("**Concession**") with numerous rights as listed in the Concession. While the FY 2018 was a good year, it has also faced certain principal risks and uncertainties which includes the following:

8.1 Key Performance Indicators (KPIs):

The Company is required by clause 13 of the Concession to adhere to certain minimum KPI's. There are four KPI targets set in relation to (i) vessel working rate (ii) crane rate (iii) labour rate and (iv) throughput per berth meter (each as defined and described in the Concession). The Company has exceeded the KPI targets consistently in respect of vessel working rates, crane rates and labour rates. However, the Company has not met its 'throughput per berth meter' KPI target in the years 2014 to 2017 (which have been set by reference to the earlier scheduled targets).

If Company fails to meet one or more of the KPIs for a period of 4 years or any further years thereafter, except as a result of force majeure, then the Nominated Percentage element of the Revenue Charge (i.e. an element in the calculation of the Revenue Charge

payable by the Company to the Government in consideration for the rights granted by the Government to the Company under the Concession) set out in the Concession will be increased by an additional 1% above the level set out in the Concession for such fourth year failure and by a further 1% for each further year's failure thereafter. Such additional charges will continue until Company produces a KPI report demonstrating compliance with the relevant KPIs in respect of the applicable year. This additional charge was applied for the first time in 2017.

Furthermore, Failure to meet KPIs for a period of 5 consecutive years would constitute the Company's event of default under clause 33.1 of the Concession which may lead to a right of termination of the Concession on the part of the Government should it chose to do so.

Under clause 13.3 and 13.4 of the Concession there is a process outlined for annually revising the KPIs under which the Company is to provide its proposed minimum KPIs applicable to the following five years incorporating the existing unamended KPIs applicable for the first four years of that period. The PMA shall then have the right to reject or require amendment of the minimum KPIs proposed by the Company if, in its reasonable opinion, such KPIs do not demonstrate that the Company will meet its obligations to run KBSP as world class port facility in accordance with Good International Practices (as defined in the Concession) or to operate KBSP in accordance with the requirements of the Agreement. The process of revising the KPIs for 2018 and subsequently has, thus far, been inconclusive and has led to the Company's suggested throughput per berth meter KPI not being settled upon, leading to financial penalties in relation to increasing the percentage based Revenue Charge payable by the Company under the Concession. Discussions on this are ongoing.

8.2 Transshipment Target:

One of the requirements of the Concession is that the Company must meet certain annual transshipment volumes. According to the Concession, in the event that the transshipment target for the year 2015 or any later year shows that the average level of transshipment at KBSP, over the previous four consecutive years, has failed to meet 60% of the transshipment targets set in the Concession relevant to those four years (taken on an average basis over the relevant four year period) then the Government shall have the right, but not the obligation, to terminate the Concession as an event of default by the Company on 30 days' notice. The right of the Government to terminate does not apply in the event that Company can demonstrate to the Government's satisfaction both:

- a. that it has taken all reasonable steps (including the expenditure of time and money) to market KBSP so as to secure transshipment business for KBSP during the four consecutive years in question; and
- b. that, notwithstanding the efforts of Company, external economic or other factors beyond Company's and APM Terminals control have prevented Company from achieving the required level of transshipment volume at KBSP.

Since commercial operations began at KBSP, Company has failed to meet the transshipment volumes required under the Concession and is therefore at risk that the Government may terminate the Concession. However, the Ministry of Transportation and Telecommunication issued a letter to the Company, dated 28 June 2015, in which the Ministry stated that it shall not apply the termination right in the Concession so long as the Company continues its efforts to reach the required transshipment level and the Ministry is comfortable with the Company's efforts.





APM TERMINALS