

## Reef Holding Company BSC (c) Corporate Governance Report for the year 2018

### 1- Description of the actions taken to complete the Corporate Governance Code during the year 2018 and how they were applied.

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

There have been no changes to the Company corporate governance guidelines of the Company during 2018.

### 2- Description of the transactions of the directors, their spouses and sons on the Company's shares during the year 2018 according to the following table:

The Directors, their spouses and sons did not trade in Company's shares during the year ended 31 December 2018.

### 3- Composition of the Board:

#### a) Description of the current Board composition according to the following table:

The following table summarises the information about the profession and business title & composition of the current Board members;

#	Name of Board Member	Title	Type	Experience in years	Qualification
1	Mr. Ali Al Baghli	Chairman	Non - Executive Non-independent	43	Master
2	Mr. Saud Kanoo	Vice Chairman	Non - Executive Independent	33	MBA
3	Mr. Faisal Al Matrook	Director	Non - Executive Non-independent	43	MBA
4	Mr. Naser Al Gharibah	Director	Non - Executive Non-independent	38	BBA
5	Mr. Abdul Hamid Mihrez	Director	Non - Executive Non-independent	16	CFA
6	Mr. Yaser Al Jar	Director	Non - Executive Non-independent	21	Certified Islamic Professional Accountant
7	Mr. Waleed Al Khaja	Director	Non - Executive Independent	33	BA

The following table summarises the information about the current Board members title, year of first election/appointment & number of years in the Board:

#	Name of Board Member	Nationality	First Election / Appointment Date	Total No. of Experience Years with Reef	Directorship in Other Companies	Position
1	Mr. Ali Al Baghli	Kuwaiti	2005	13	Attorneys Legal Consultants	Lawyer
2	Mr. Saud Kanoo	Bahraini	2009	9	YBA Kanoo	Businessman
3	Mr. Faisal Al Matrook	Bahraini	2005	13	FAM Corp	Chairman
4	Mr. Naser Al Gharibah	Kuwaiti	2008	10	Global Investment House	Managing Director
5	Mr. Abdul Hamid Mihrez	Lebanese	2015	3	Global Investment House	Executive Vice President
6	Mr. Yaser Al Jar	Bahraini	2016	2	Inovest Co BSC	CEO
7	Mr. Waleed Al Khaja	Bahraini	2015	3	First Bahrain Real Estate Development Company K.S.C. (Closed)	Chairman

**b) Remuneration:**

1. Total remunerations paid to the directors for the year 2017 was BD 70,000/-.
2. The proposed total remunerations to be paid to the directors for the year 2018 is BD 70,000, which will be presented at the Annual General Meeting for approval.
3. Description of the sitting fee paid to the Board amounted to BD 17,200 during the year as a basic fee. Below table shows individual Directors fee payment.

#	Name of Directors	BOARD / Committee	Setting Fees Amount (BHD)
1	Mr. Ali Al Baghli	BOARD / NRC	3,850
2	Mr. Saud Kanoo	BOARD / NRC / ACGC	2,850
3	Mr. Faisal Al Matrook	BOARD / NRC / EXCOM	1,600
4	Mr. Naser Al Gharibah	BOARD / EXCOM	1,600
5	Mr. Abdul Hamid Mihrez	BOARD / EXCOM	2,000
6	Mr. Yaser Al Jar	BOARD / ACGC	2,650
7	Mr. Waleed Al Khaja	BOARD / ACGC	2,650
<b>Total Amount Paid – Sitting Fee</b>			<b>17,200</b>

- c) Number and dates of the Board's meetings held during the financial year 2018, in addition to the number of times directors attended in person:

Director Name	No of Meetings attended	Dates of Meetings	Attendance %
Mr. Ali Al Baghli	5	15 February 2018	100 %
Mr. Saud Kanoo	5		100 %
Mr. Faisal Al Matrook	3	2 <sup>nd</sup> May 2018	60 %
Mr. Naser Al Gharibah	4	3 <sup>rd</sup> May 2018	80 %
Mr. Abdul Hamid Mihrez	5	27 <sup>th</sup> September 2018	100 %
Mr. Yaser Al Jar	5	21 <sup>st</sup> November 2018	100 %
Mr. Waleed Al Khaja	5		100 %

- d) Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.

#### Board and Directors' Responsibilities

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

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

In this respect, the Directors remain individually and collectively responsible for performing all Board of Directors tasks.

Election/re-election of Board takes place every three years at the meeting of the shareholders. Termination of a Board members mandate at the meeting usually occurs by dismissal of the shareholders or by the member's resignation from the Board of Directors.

#### Material transactions requiring board approval

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

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

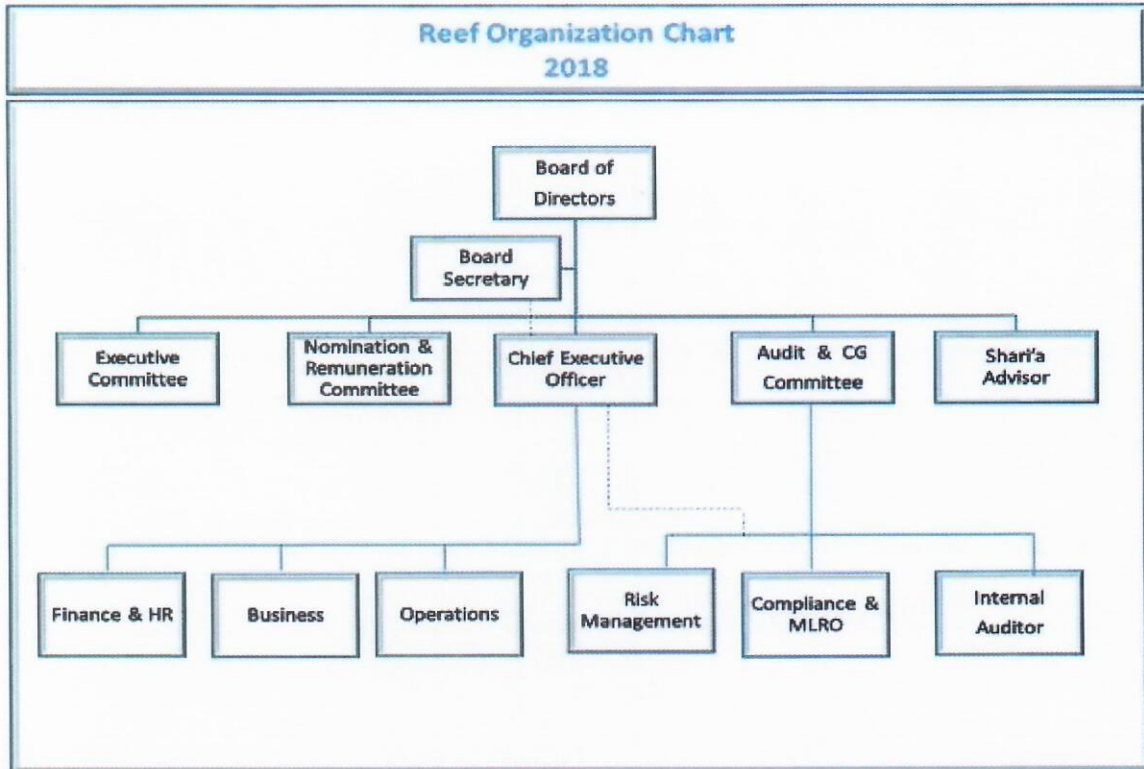
e) **Details of transactions with related parties (Stakeholders), indicating the nature of relationship and type of transaction.**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the major shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorized by the management and are on arm's length basis.

Related party Relationship	Transaction type	For the year ended Transaction amount	
		31 December 2018	31 December 2017
Directors	Directors remuneration	70,000	35,000
Directors	Board member fees and allowances	18,350	21,750
Key management personnel **	Salaries and other short-term benefits	87,113	85,760
Directors	Premises leased	31,539	31,539

\*\* Key management personnel are those staff members who have authority and responsibility for planning, directing and controlling the activities of the Company.

- f) The Company's organizational structure, including the first and second grades at a minimum and including the Company's general manager and/or chief executive officer, deputy general manager and managers.



- g) Total remunerations paid to the key executive officers (the top five employees), including salaries, benefits, allowances, increments, stock options, end-of-service benefits, pensions, etc.

Name of Executive Member	Designation	Amount
Mr. Hasan Dhaif	Chief Executive Officer	BD 87,113
Mr. Hisham Ahmed	Manager - Finance	

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#### 4- External Auditors:

<b>Name of the Audit Firm</b>	BDO
<b>Years of Service as the Company's external Auditor</b>	Since 2005
<b>Name of the partner in charge of the Company's audit</b>	Mr. Arshad Gadit
<b>The partner's years of service as the partner in charge of the Company's audit</b>	Six years
<b>Total Audit fees for the financial statements for the year 2018 (in BD)</b>	The information will be kept at corporate office as confidential and will produce on request after approval of Board of Directors.
<b>Other special fees and charges for non-audit services other than auditing the financial statements for the year 2018.</b>	

#### 5- Audit & Corporate Governance Committee:

Audit & Corporate Governance Committee is in-charge of overseeing the internal and external audit, as well as compliance, anti-money laundering and Corporate Governance. The Committee must meet at least four times a year.

The primary aim of the Committee is to assist the Board of Directors in fulfilling its responsibilities to the shareholders and other stakeholders in relation to accounting reporting practices and the quality and integrity of the financial reports of the Company as well as ensuring that a sound system of internal controls has been maintained to mitigate financing risks.

<b>Director's Name</b>	<b>Position</b>	<b>Dates of Meetings</b>	<b>Number of Meetings attended</b>	
Mr. Saud Kanoo	Non – Executive Independent	Chairman	14 <sup>th</sup> February 2018	3
Mr. Yaser Al Jar	Non – Executive Non – Independent	Member	26 <sup>th</sup> April 2018 25 <sup>th</sup> July 2018	4
Mr. Waleed Al Khaja	Non – Executive Independent	Member	21 <sup>st</sup> November 2018	4

## 6- Nomination & Remuneration Committee

The Nomination & Remuneration Committee is established to comply with the Corporate Governance requirements. It is responsible for identifying persons qualified to become members of the Board or Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and other officers of the Company considered appropriate by the Board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Audit & Corporate Governance Committee. The Committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting besides reviewing the Company's remuneration policies for the Board and senior management which should be approved by the shareholders in the AGM meetings and in compliance with Article 188 of Bahrain Commercial Companies Law. The Committee will make recommendations regarding remuneration policies and amounts for specific persons to the whole Board considering the total remuneration including salaries, fees, expenses and employee benefits as well as evaluate and remunerate Board members based on their attendance and performance. The Committee must meet at least two times a year.

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Mr. Ali Al Baghli	Non – Executive Non – Independent	Chairman	1
Mr. Saud Kanoo	Non – Executive Independent	Member	15 <sup>th</sup> February 2018
Mr. Faisal Al Matrook	Non – Executive Non – Independent	Member	1

## 7- Corporate Governance Committee

Please refer to number 5 above "Audit & Corporate Governance Committee".

## 8- Corporate governance officer's name, qualifications, date of appointment, and contact details.

Name	Mr. Hasan Dhaif
Qualification	CPA
Date of Appointment	3 April 2019
Contact Details	Tel.: 17558645 Fax: 17556333 email: hdhaif@reef.bh

## 9- Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.

There were no irregularities committed or reported during the financial year 2018.

## 10- Description of the cash and in-kind contributions made by the Company during the year 2018 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.

BD 10,000 was approved by the shareholders and was distributed by the Company during the year 2018.

- a. Statement of shareholders' equity as of 31/12/2018 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

SHARE HOLDING %					
#	Shareholder Classification	Individuals	Corporate	Government or Organizations	Total
1	Local	10.4%	69.4%	-	79.8%
2	Arab	12.6%	7.6%	-	20.2%
3	Foreign	-	-	-	-
4	Total	23.0%	77.0%	-	100.0%

- b. Description of the Shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31/12/2018 as follows:

Name	Nationality	Number of Shares	Share %
Gimbal Holding Co S.P.C.	Bahraini	59,282,724	46.168%
Ossis B.S.C.(c)	Bahraini	13,516,584	10.526%
Inovent B.S.C.	Bahraini	13,516,584	10.526%
H.E. Sh. Sultan Bin Khalifa Al Nahyan	Emirati	7,434,122	5.789%
Al Dammam Development Company S.S.C (c)	Saudi	6,521,752	5.079%
Other shareholders	Multiple	28,135,784	21.91
<b>Total</b>		<b>128,407,550</b>	<b>100.00%</b>

- c. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2018 as follows:

#	Shareholding (Share)	No. of shareholders	Number of shares held	Shareholding %
1	< 50,000	11	495,362	0.4%
2	50,000 to 500,000	65	10,848,569	8.4%
3	500,000 to 5,000,000	13	16,791,853	13.1%
4	> 5,000,000	5	100,271,766	78.1%

- d. Description of the significant events that occurred during the year 2018:

The Company has cancelled its license number FC/001 with Central Bank of Bahrain ("CBB") as on 25 September 2018. On 7 August 2018, the Company applied to Ministry of Industry and Commerce to change the name of the Company and principal activities and the request was approved on 25 October 2018. The Company's name has been changed to Reef Holding B.S.C. (c) as on 25 October 2018. The Company has received a letter from CBB on 27 September 2018 stating that the Company's licenses has been cancelled and its record has been removed from the CBB's register according to CBB's resolution No. 50 of 2018 issued on 25 September 2018.



**11- Compliance with the provisions of the Corporate Governance Code, as follows:**

Principle	Non-compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
<b>Principle 1:</b> The Company shall be headed by an effective, qualified and expert board.		Partially Compliant		
<b>Principle 2:</b> The directors and executive management shall have full loyalty to the company.			Compliant	
<b>Principle 3:</b> The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			Compliant	
<b>Principle 4:</b> The Company shall have effective procedures for appointment, training, and evaluation of the directors		Partially Compliant		
<b>Principle 5:</b> The Company shall remunerate directors and senior officers fairly and responsibly.		Partially Compliant		
<b>Principle 6:</b> The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			Compliant	
<b>Principle 7:</b> The Company shall communicate with shareholders, encourage their participation, and respect their rights.		Partially Compliant		
<b>Principle 8:</b> The Company shall disclose its corporate governance.			Compliant	
<b>Principle 9:</b> The Board shall ensure the integrity of the financial statements submitted to shareholders through			Compliant	
<b>Principle 10:</b> The Company shall seek through social responsibility to exercise its role as a good citizen.			Compliant	
<b>Principle 11:</b> Companies which offer Islamic services shall adhere to the principles of Islamic Sharia.		Partially Compliant		

\* Applicable only to the companies offering Islamic services.

**Principle 1:** The Company shall be headed by an effective, qualified and expert board.

Principle 1 requires that the Company's Articles of Association (AOA) shall specify the requirements for executive, non-executive and independent directors whereas at least half of the directors shall be non-executive directors and at least three of whom shall be independent directors who meet the requirements set forth in Appendix 1 to the Code. The Chairman of Board shall be an independent director and shall not, himself or his deputy, in any case be the Company's chief executive officer, in order to have a proper balance of powers and authorities and have greater substantive capacity for the Board of Directors to take decisions independently and the Board shall have a secretary who may be appointed or removed by a resolution from the Board of Directors. The secretary shall be selected from among the directors or outside the Board. However, the Company's Articles of Association (AOA) does not contain requirements for executive, nonexecutive and independent directors. Out of seven directors, two of them are independent. The Chairman of the Board is not an independent Director. The Board appointed Company's secretary Ms. Fatima, who has subsequently resigned in 2019. The Company is in the process of amending the Articles of Association (AOA). The Company will

consider the corporate governance requirements with regards to the independence of Chairman in the next Board of Directors election.

Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors

Principle 4 requires that the Nomination Committee shall include independent directors or non-executive directors, the majority of whom shall be independent, and the Chairman of the committee shall be an independent director. However, the Nomination Committee consists of three directors and only one of them is independent director and Chairman of the Nomination Committee is not an independent director. The Company will consider the corporate governance requirements with regards to the independence of Chairman and Committee members in the next Board of Directors election.

Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.

Principle 5 requires that the Board of Directors from among its directors shall establish a remuneration committee consisting of three independent directors or non-executive directors, the majority of whom shall be independent. The Chairman of the committee shall be an independent director. However, the Remuneration Committee consists of three directors and only one of them is independent director and Chairman of the Remuneration Committee is not an independent director. The Company will consider the corporate governance requirements with regards to the independence of Chairman and Committee members in the next Board of Directors election.

Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.

Principle 7 requires that the Company should assign a specific section on their website thereof to describe shareholders' rights to participate and vote at each shareholders' meeting, and not posted significant documents relating to meetings including invitations and minutes and also requires developing electronic means for shareholders' communications including appointment of proxies. For confidential proprietary information, the company shall grant a controlled access to such information to its shareholders. However, the Company has not assigned a specific section on their website thereof to describe shareholders' rights to participate and vote at each shareholders' meeting, and not posted significant documents relating to meetings including invitations and minutes and The Company has not developed electronic means for shareholders' communications including appointment of proxies. For confidential proprietary information, the Company shall grant a controlled access to such information to its shareholders. The Company is in the process of modifying Reef website to accommodate all newly established Corporate Governance requirements by the MOICT in this regard.

Principle 11: Companies which offer Islamic services shall adhere to the principles of Islamic Sharia.

Principle 11 requires that the Shari'a Supervisory Board ("SSB") consists of at least 3 Shari'a scholars and Shari'a Corporate Governance Committee ("SCGC") consists of at least 3 members, one of whom is the Company's Shari'a supervisory board member. The Company has outsourced the role to Shari's Supervisory Board to Shaikh Dr. Osama Mohammed Bahar, who is the Sharia Supervisory Advisor of Company.

**12- Any disclosures required by the regulatory authorities.**

NONE



**Mr. Ali Ahmed Al Baghli**  
**Chairman of the Board**

3<sup>rd</sup> April 2019

