

Reef Holding Company BSC (c) Corporate Governance Report for the year 2019

1- Description of the actions taken to complete the Corporate Governance Code during the year 2019 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 2019.

2- Description of the transactions of the Directors, their spouses and sons on the Company's shares during the year 2019 according to the following table:

The Directors, their spouses and sons did not trade in Company's shares during the year ended 31 December 2019.

3- Composition of the Board:

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

The following table summaries 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	44	Master
2	Mr. Saud Kanoo	Vice Chairman	Non - Executive Independent	34	MBA
3	Mr. Faisal Al Matrook	Director	Non - Executive Non-independent	44	MBA
4	Mr. Naser Al Gharibah	Director	Non - Executive Non-independent	39	BBA
5	Mr. Abdul Hamid Mihrez	Director	Non - Executive Non-independent	17	CFA
6	Mr. Yaser Al Jar	Director	Non - Executive Non-independent	22	Certified Islamic Professional Accountant
7	Mr. Waleed Al Khaja	Director	Non - Executive Independent	34	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	14	Attorneys Legal Consultants	Lawyer
2	Mr. Saud Kanoo	Bahraini	2009	10	YBA Kanoo	Businessman
3	Mr. Faisal Al Matrook	Bahraini	2005	14	FAM Corp	Chairman
4	Mr. Naser Al Gharibah	Kuwaiti	2008	11	Global Investment House	Managing Director
5	Mr. Abdul Hamid Mihrez	Lebanese	2017	4	Global Investment House	Executive Vice President
6	Mr. Yaser Al Jar	Bahraini	2016	3	Inoest Co BSC	CEO
7	Mr. Waleed Al Khaja	Bahraini	2015	4	First Bahrain Real Estate Development Company K.S.C. (c)	Chairman

b) Remuneration:

- Total remunerations paid to the directors for the year 2018 was BD 36,000/-.
- The total remunerations to be paid to the directors for the year 2019 will be ascertained and will be presented at the Annual General Meeting for approval.
- Description of the sitting fee paid to the Board amounted to BD 17,900 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	3,050
2	Mr. Saud Kanoo	BOARD / NRC / ACGC	3,250
3	Mr. Faisal Al Matrook	BOARD / NRC / EXCOM	3,100
4	Mr. Naser Al Gharibah	BOARD / EXCOM	2,400
5	Mr. Abdul Hamid Mihrez	BOARD / EXCOM	1,600
6	Mr. Yaser Al Jar	BOARD / ACGC	2,250
7	Mr. Waleed Al Khaja	BOARD / ACGC	2,250
Total Amount Paid – Sitting Fee			17,900

c) Number and dates of the Board's meetings held during the financial year 2019, 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	4	3 rd April 2019 26 th September 2019 7 th November 2019 5 th December 2019	100%
Mr. Saud Kanoo	4		100%
Mr. Faisal Al Matrook	4		100%
Mr. Naser Al Gharibah	4		100%
Mr. Abdul Hamid Mihrez	3		75%
Mr. Yaser Al Jar	4		100%
Mr. Waleed Al Khaja	4		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.

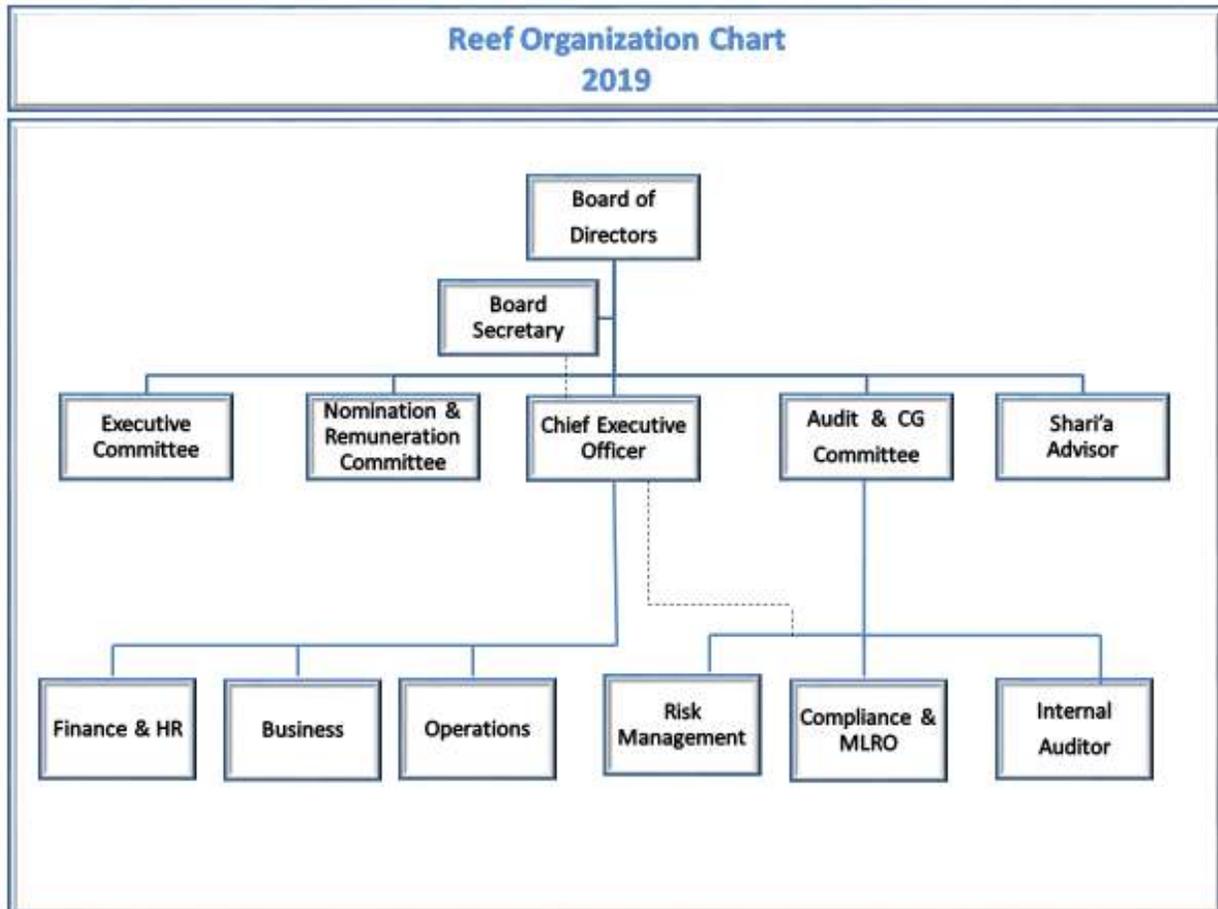
e) Details of transactions with related parties (Stakeholders), indicating the nature of relationship and type of transaction.

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 Board of directors and are on arm's length basis.

Related party Relationship	Transaction type	For the year ended Transaction amount	
		31 December 2019	31 December 2018
Directors	Directors remuneration	36,000	70,000
Directors	Board member fees and allowances	22,500	18,350
Key management personnel **	Salaries and other short-term benefits	71,000	87,113
Directors	Premises leased	16,154	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.

Total remunerations paid to the key Executive Officers for the year ended 31 December 2019 amounted to BD71,000 (2018: BD87,113)

4- External Auditors:

Name of the Audit Firm	BDO
Years of Service as the Company's external Auditor	Since 2005
Name of the partner in charge of the Company's audit	Mr. Arshad Gadit
The partner's years of service as the partner in charge of the Company's audit	Seven years
Total Audit fees for the financial statements for the year 2019 (in BD)	The information will be kept at corporate office as confidential and will produce on request after approval of Board of Directors.
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019.	

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.

Director's Name	Position	Dates of Meetings	Number of Meetings attended	
Mr. Saud Kanoo	Non – Executive Independent	Chairman	3 rd April 2019	4
Mr. Yaser Al Jar	Non – Executive Non – Independent	Member	26 th September 2019 7 th November 2019	4
Mr. Waleed Al Khaja	Non – Executive Independent	Member	5 th December 2019	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	2
Mr. Saud Kanoo	Non – Executive Independent	Member	2
Mr. Faisal Al Matrook	Non – Executive Non – Independent	Member	2

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 rd April 2019
Contact Details	Tel.: 17558080 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 2019.

10- Description of the cash and in-kind contributions made by the Company during the year 2019 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 BD 8,000 was distributed by the Company during the year 2019.

No.	Society Name	إسم الجمعية	Amount in BD
1	Hamad Town Charity Society	جمعية مدينة حمد الخيرية	500.000
2	Malkiya Charity Society	جمعية المالكية الخيرية	500.000
3	Amina Charity Association	جمعية أمينة لأعمال الخيرية	500.000
4	Bahrain Society For S.C.D Patients Care	جمعية البحرين لرعاية مرضى السكر	500.000
5	Jidhas Charity Society	جمعية جد حفص الخيرية	500.000
6	Isa Town Social Charity Society	جمعية مدينة عيسى الخيرية الاجتماعية	500.000
7	Al Hamala Social, Charity, Cultural Society	جمعية الهملة الثقافية الخيرية الاجتماعية	500.000
8	Janosan Charity Society	جمعية جنوسان الخيرية	500.000
9	Busaiten Sports & Cultural Club	نادي البسيتين الرياضي والثقافي	500.000
10	Darkulaib Charity Social Society	جمعية دار كليب الخيرية الاجتماعية	500.000
11	Hasan Helal	حسن هلال	3,000.000
Total		المجموع	8,000.000

a. Statement of shareholders' equity as of 31st December 2019 (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	10.40%	69.40%	-	79.80%
2	Arab	12.60%	7.60%	-	20.20%
3	Foreign	-	-	-	-
4	Total	23.00%	77.00%	-	100.00%

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 31st December 2019 as follows:

Name	Nationality	Number of Shares	Share %
Gimbal Holding Co S.P.C.	Bahraini	53,354,451	46.168%
Ossis B.S.C.(c)	Bahraini	12,164,926	10.526%
Inovest B.S.C.	Bahraini	12,164,926	10.526%
H.E. Sh. Sultan Bin Khalifa Al Nahyan	Emirati	6,690,710	5.789%
Al Dammam Development Company S.S.C (c)	Saudi	5,869,577	5.079%
Other shareholders	Multiple	25,322,205	21.91
Total		115,566,795	100.00%

c. Description of how shareholders are distributed according to their respective shareholding as at 31st December 2019 as follows:

#	Shareholding (Share)	No. of shareholders	Number of shares held	Shareholding %
1	< 50,000	11	445,829	0.4%
2	50,000 to 500,000	66	10,244,599	8.9%
3	500,000 to 5,000,000	12	14,631,777	12.7%
4	> 5,000,000	5	90,244,590	78.1%

d. Description of the significant events that occurred during the year 2019:

In 2019, Shareholders approved in their EGM the second capital reduction. Share capital was reduced from BD12,840,755 to BD 11,556,680. The necessary legal formalities for restructuring the share capital with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain were completed in 2019.

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

Principle 9 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.

Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.

Principle 11 requires from the Company to formulate a corporate social responsibility policy and disclose the corporate social responsibility activities in the annual report. However, the Company does not formulate a corporate social responsibility policy. The Company will formulate a policy for the corporate social responsibility.

12- Any disclosures required by the regulatory authorities.

NONE

A handwritten signature in black ink, appearing to be "Ali Ahmed Al Baghli".

Mr. Ali Ahmed Al Baghli
Chairman of the Board
5th March 2020