

Name of Company: United Gulf Investment Corporation B.S.C
Commercial Registration No. 24377

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.

United Gulf Investment Corporation B.S.C, "UGIC" as part of being listed in Bahrain Bourse has adopted Corporate Governance Code 2018 as part of its transparency and legal compliance with Volume 6 of CBB rulebook and MOIC's Commercial Companies Law promulgated by Legislative Decree No.21 of 2001.

Purpose of this code: -

To establish best practice of Corporate Governance in Kingdom of Bahrain. It aims primarily to provide guidance to companies on the best ways to manage, lead, organize and monitor their businesses through a series of transparent, clearly defined policies, processes and procedures.

Purpose of Governance: -

The purpose of governance is to establish a system that governs and controls the company's businesses and practices. This helps to create an efficient institution the contributes to build a strong and competitive national economy for the purpose of reducing any adverse effects on the national economy, acting parties and local community due to not committing to the best practices in managing joint stock companies.

2- Related parties' transactions & Balances

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 shareholders, key management personnel and their close family members and such other companies over which the Group or its shareholders, 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 authorised by the management are on arm's length basis. Further, there are no loans due from any of the Directors of the Group.

Related parties' transactions

Key management personnel compensation

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group including the Chief Executive Officer of the Group.

	Year ended 31 December 2019	Year ended 31 December 2018
Directors' sitting fees (Note 32)	7,800	8,244
Remuneration to key management personnel	109,900	109,900

A summary of significant transactions with the associate:

	Year ended 31 December 2019	Year ended 31 December 2018
Share of profit for the year	16,876	26,559
Dividends received during the year	-	-

3- Composition of the Board:

a. Description of the current Board composition as given below:

1. Mr. Rashed Al Abdulla Al Suwaiket Al Hajri - Chairman Non-Executive Director

Date of Re Appointment: 3rd April 2019

Qualifications: -

PhD from John Morris University Liverpool - UK

MBA degree from KFUPM

BA from Warren Pacific University, Portland State, USA

Has a long record of attending international conferences and symposiums in BA.

Other Directorships: -

- Salama Cooperative Insurance company
- Raysan Arabian Company
- Dhahran Chemical Industries & Marketing
- Al-Ruwais International Development
- Machinery Rental Trade Real Estate & Cars Company
- United Gulf Trading S.P.C

2. Abdulla Fahad Al Subaie – Vice Chairman – Independent – Non-Executive

Date of Re Appointment: 3rd April 2019

Qualifications: -

Bachelor of Science in Marketing from King Fahd University of Petroleum and Minerals in 1998.

Other Directorships: -

- Deputy Chairman of the Committee Contractors in the Eastern Province, KSA – From 2005
- Member of the National Committee of the Council of Saudi Chambers contractors, KSA 1999 – 2005
- Member of the Bahraini Saudi Arabian Business Council from 2005.
- Chairman of Al Qadisiya News from 2008 to 2012.
- General Manager of Al-Hazza Heavy Equipment from 2006.
- Sabayek

3. Mr. Abdulla Mubarak Al Suwaiket – Director – Independent - Non-Executive

Date of Re Appointment: 3rd April 2019

Qualifications: -

Bachelor Security Graduate – King Fahd Security College. Riyadh

Other Directorships: -

- Executive Director & Vice President - Al Suwaiket Group – AlKhobar – KSA.
- Executive Director – DNATA Travel. KSA

4. Mr. Waleed Fahad Al Tharman – Director – Independent Non-Executive

Date of Re Appointment: 3rd April 2019

Qualifications: -

BA in Financial Management from King Fahd University of Petroleum and Minerals in 1999

Other Directorships: -

- CEO Jaffer Trading & Contracting Co.
- A partner in the firm Uhde Arabia Ltd. in Saudi Arabia
- Member of the Board of Directors of Saudi Arabia Petrument
- A partner in the company MIDOM - Saudi Arabia

5. Mr. Qusay Al Khalili – Director / Chief Executive Officer – Executive Director

Date of Appointment: 3rd April 2019 as Director.

2013 – Till Date CEO

2009 – 2013 as Investment Manager

Qualifications: -

Bachelor of Electrical Engineering - University of Bahrain – Excellent in 2001

MBA- Finance - University of Bahrain – Excellent in 2004

Master of Engineering Design – Victoria University - Australia - with honors in 2005.

Degree of administration in Banking & Finance – B I B F – Kingdom of Bahrain in 2007

Certificate in Leadership and Management - Leadership Trust Institute - United Kingdom 2008

The second level of the Chartered Financial Analyst program - Virginia - United States CFA (Chartered Financial Analyst Program 2009)

Attended many courses in Sales, Statistical Analysis, Banking Operations, Credit and Portfolio management at Citigroup, Bahrain Institute of Banking and the United Kingdom.

Other Directorships:

United Gulf Trading S.P.C – Kingdom of Bahrain.

B. Description of the following:

1. Total remunerations paid to the directors for the year 2019 amounts to Bd 7,800.
2. The proposed total remunerations to be paid to the directors for the year 2019, will be presented at the annual general meeting for approval.

C. Board meetings

Five Board Meetings were held during the year 2019 which was attended by all the Members of the Board. The meeting dates are as given below.

Meeting Dates: -

1. 26th February 2019
2. 3rd April 2019
3. 12th May 2019
4. 7th August 2019
5. 11th November 2019

D. The Description of the Board's duties and competences: -

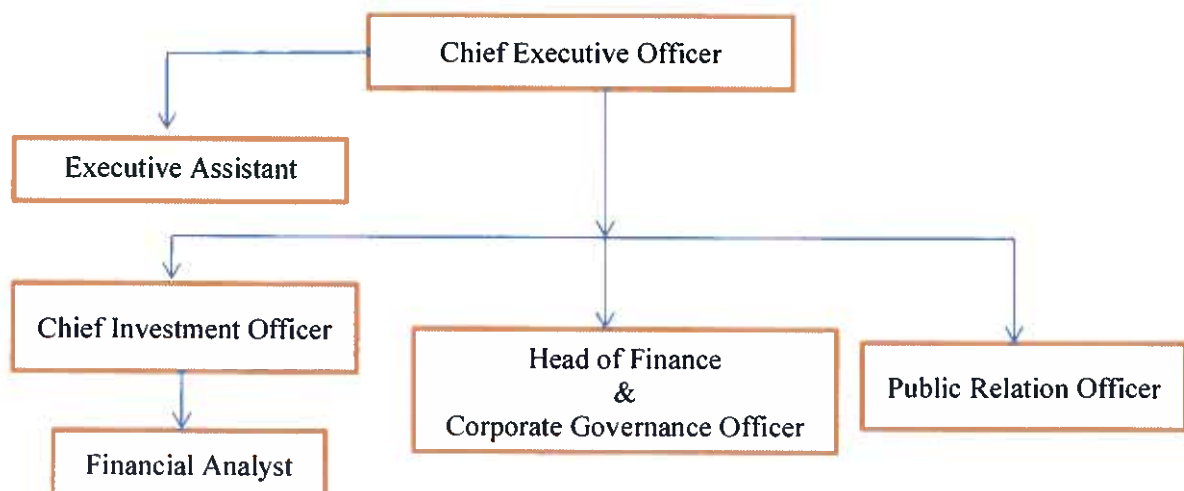
The board of directors of the company is responsible for the overall management and providing directions to the senior management of the company. The board's main role is to create value addition to its shareholders to approve company's strategic objectives, to ensure that the necessary financial and other resources are made available to enable the company to meet those objectives. The BOD also performs other function which is included in the Board Charter. Regarding disclosure policies, BODs overlooks the responsibility of developing and recommending changes to corporate governance policy framework as set by MOIC. All the major transactions of the company, including with shareholders are subject to prior approval of the BOD. As a part of social corporate responsibility BOD's overlooks proper disposal of waste generated in the subsidiaries, adhering to standard norms set by government authorities for safeguarding the environment from pollution.

The Board is accountable to the Members and Participants of the Company for the business operations and affairs of the Company. Specifically Board's responsibilities include but are not limited to:

- Strategic Planning and Budgeting.
- Corporate governance.
- Key personnel management.
- Financial management.
- Risk management.
- Internal control system.

The directors are responsible, both individually and collectively, for performing these responsibilities. Although the Board may delegate certain functions to the management it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.

E. Company's organizational structure:



- F. Total remunerations paid to the key executive officers (the top five employees), for the year amounts BD 109,900.

4. External Auditors:

- a. Providing shareholders with the auditor's profile and overview of its professional performance.

A leading international audit firm, BDO provides external audit services to the Company. The auditor has completed the audit of consolidated financial statements for the year ended 31 December 2019 and have provided a unqualified opinion on the consolidated financial statements of the Group.

- b. Fees and charges for the audit or services provided by the external auditor during the year 2019, in addition to a description of the auditor's years of service as the Company's external auditor. According to the following table:

Name of the audit firm	
Years of service as the Company's external auditor	9 years
Name of the partner in charge of the Company's audit	Nath Venkitachalam
The partner's years of service as the partner in charge of the Company's audit	8 Years
Total audit fees for the financial statements for the year 2019 (BD)	4,450
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 (BD) if any. In the absence of such fees, this shall be expressly stated	BHD7,050 2019 Quarterly reviews, review of IFRS 9 and 15 impact assessment and review of subsidiary's financial statements under full scope IFRS

5. Audit Committee:

- a. Audit committee's members: -

Mr. Waleed Al Tharman – Chairman of Audit Committee

Mr. Rashed Abdulla Al Suwaiket Al Hajri – Director

Duties & Responsibilities: -

The Audit Committee has been established by the Board of Directors to oversee the standards of quality and reliability of the financial information submitted to the Board by the management, internal and external auditors. The primary function of the Committee is to reinforce the internal and external audit process and assist the Board of Directors in fulfilling its responsibility. During the financial year 2019 three meetings were held by the committee.

6. Nomination and Remuneration Committee (NRC):

A) NRC committee's members.

Mr. Rashed Abdulla Al Suwaiket Al Hajri – Chairman

Mr. Abdulla Fahad Al Subaie – Vice Chairman

Mr. Waleed Al Tharman – Director

B) The NRC committee members duty is to review the company's policies relating to the remuneration of the Directors and Senior Executives, which shall be approved by the shareholders. Make recommendations to the Board on remuneration policies subject to the rules and provisions of the Commercial Companies Law concerning the payment of remunerations and other benefits. During the financial year 2019 one meeting was held by the committee

7. Corporate Governance Committee:

a. Governance committee's members.

Mr. Rashed Abdulla Al Suwaiket Al Hajri – Chairman

Mr. Abdulla Fahad Al Subaie – Vice Chairman

Mr. Waleed Al Tharman – Director

b. Summary of the committee performance report during the year 2019

This committee is responsible for developing and making recommendations on the changes required under the company's corporate governance policy from time to time. It also monitors the implementation of the Corporate Governance framework by working with the Executive Management and Audit Committee.

8. UGIC has appointed its Head of Finance Mr. Vinod Ramakrishnan as its corporate governance officer. He has over 14 years of experience in this company and has taken care of all the Compliance

issues. He is one of the pioneers in implementing an effective Corporate Governance Code in the establishment in line with the regulatory authorities' guidelines issued from time to time. He was appointed in the year 2006 and he can be reached in the Company's registered landline.

9. The company has not paid any penalties to the regulatory authorities during the year 2019.

10. UGIC and its subsidiaries on a yearly basis pay Zakat in KSA of about 3 Million SAR by law which goes ultimately to charity purposes in KSA.

- a. Statement of shareholders' equity as of 31/12/2019 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
	Local	4.59%	3.09%	0.02%	7.70%
	GCC/ MENA	81.23%	11.07%	-	92.30%
	Foreign				
	Total	85.82%	14.16%	0.02%	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 31/12/2019 as follows:

#	Name	Number of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Rashed Abdullah Al Suwaiket Al Hajri	58,418,336	29.21%	Rashed Abdullah Al Suwaiket Al Hajri

c. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2019 as follows:

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	923	8,595,785	4.30%
2	50,000 to 500,000	203	29,588,308	14.79%
3	500,000 to 5,000,000	56	77,585,803	38.79%
4	>5,000,000	4	84,230,104	42.12%

d. There was no significant event recorded in the company for the year 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.		Yes		Chairman is not independent as he is the major shareholder of the company. Dependency of Chairman is already declared and approval of appointment was already taken in the AGM and shareholders is also aware of that fact.
Principle 2: The directors and executive management shall have full loyalty to the company.			Yes	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.		Yes		The number of BAC Members will be regularized in 2020.

Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			Yes	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.		Yes		NRC is chaired by the Chairman of the BOD.
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.		Yes		The Company does not have any designated internal auditor though the job is taken care by Head of Finance. Annual review for Succession plan will be regularised in 2020.
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.		Yes		**
Principle 8: The Company shall disclose its corporate governance.		Yes		**
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.			Not Applicable	
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			Yes	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			Yes	
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** - The Bod will take all necessary steps to adhere to all the new regulations as mentioned in the Corporate Governance Code 2018 and overcome the short comings in the area of being “Partially Compliant” in the coming Financial Year 2020.

Summary of Board Charter Report (BCR)

This report is designed to brief the Board about the roles and responsibilities they have, and about the committees they are in and includes a disaster recovery plan for the company. It is reviewed annually by board members.

Summary of Disaster Recovery Plan (DRP):

UGIC's policy is to maintain some level of liquidity in more than one country (Saudi Arabia & Bahrain) to sustain its expenses in case of any unexpected events arising.

UGIC maintains hard copy records as well as soft copy records of all transactions and contracts. No specific software is required. UGIC has developed its server to maintain backup of all communication and has obtained a permanent IP address for security reasons.

UGIC subsidiary " SABAYEK" has enhanced insurance policy since consolidation to 75.68% to include mechanical, electrical, property and plant and discontinuity of business. SABAYEK continues to evaluate risks and put contingency plans. Mostly operational risks do exist as well as others such as electricity dues and possible negotiation from major clients on pricing or losing major clients, which can mitigated by negotiation of long term contracts.

Anti-money laundering.

The Company's principal line of business is investing in Industrial Projects in the Gulf region .The Company has not come across any suspicious transactions that could be related to money laundering or terrorism financing .Further, the Board is fully aware of the Anti-Money Laundering Policies in accordance with the CBB.

Company Social Responsibility

The Group is Socially committed by engaging itself actively in the social events through participation and donations such as Civil Defence events on awareness of many health and safety programs or health related events conducted in Jubail and Royal Commission. Moreover, it pays Zakat that goes to charity both inside and outside of Saudi Arabia through Government Authorities as intermediary collector and also by other means of contributing by volunteering itself for the uplift of its citizens in Kingdom of Saudi Arabia. The Group is also considering to engage in various events that uplifts its social corporate responsibility in Kingdom of Bahrain in the future. All of these activities are linked to the financial performance of the group

Risk management strategies and policies.

Risk management is essentially about identifying, monitoring, and controlling all material risks that the organization may be subjected to .The main types of risks faced by the Company are securities and stock markets and operational issues within its subsidiaries.

For current Assets, most important risks include: Electricity dues over Sabayek, and market crash in commodity, these risks could be mitigated by negotiating long term contracts with Saudi Electricity, obtaining cheaper raw material, seeking local Saudi Manganese ore, adding new product lines, and implementing cost cutting techniques, Achieving higher efficiency rates in production and recovery. The Company identifies, assesses, monitors, controls and manages the various risks on an on-going basis.

For new Assets, The investment risks are clearly highlighted in any investment approval request forwarded to the Investment Committee and implementation of the project is subject to their approval . The Investment Committee continuously monitors the investment portfolio and the risks involved and take proactive measures to mitigate the risks.

The Audit Committee is charged with the responsibility of ensuring that adequate internal controls are in place to mitigate any existing or potential risks.

CEO Signature



Date: 27/02/2020



Official Seal of the Company