

Corporate Governance Report for the year 2023

1. Description of the action taken to complete the Corporate Governance Code during the year 2023 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 business and practices. This helps to create an efficient institution on 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 party 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 authorized by 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 companies the Board of Directors and key members of the management having authority and responsibility for the planning, directing and controlling the activities of the Group including the Chief Executive Office of the Group.

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	Year ended 31 December <u>2023</u>	Year ended 31 December <u>2022</u>
Directors' sitting fees	13,000	13,000
Remuneration to key management personnel (Note 32)	332,048	627,916*

(* Including provisions taken to be paid subject to Board approvals)

A summary of significant transactions with the associate:

	Year ended 31 December 2023	Year ended 31 December 2022
Share of profit for the year	<u>211,436</u>	<u>(20,677)</u>

3. Composition of the Board:

Description of the current Board composition as given below:

1. Mr. Rashed Abdulla Al Suwaiket Al Hajri – Chairman. Non-independent

Date of 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

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

Date of 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 2005-2018
- Member of the National Committee of the Council of Saudi Chambers contractors, KSA 1999 – 2018
- Member of the Bahraini Saudi Arabian Business Council from 2005-2016.
- Chairman of Al Qadisiya News from 2008 to 2012.
- Chief executive officer of Al-Hazza Heavy Equipment from 2006.
- Chairman of Takween Arabain Holding 2022- now

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

Date of 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 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

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

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 City group, Bahrain Institute of Banking and the United Kingdom.

Other Directorships:-

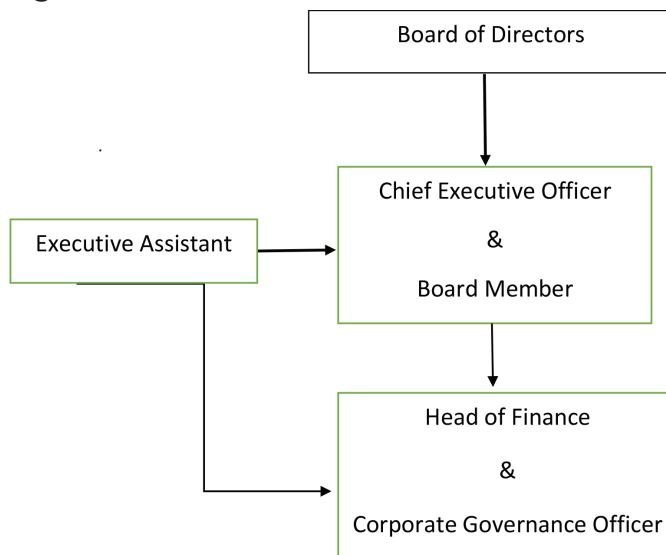
- Board member in UGT – Bahrain
- Board member in Sabayek - KSA
- Board member in Rukaam – KSA

B. There is 0% representation of women and 100% of men representation in UGIC BOD.

4. Directors Sitting fees and Remuneration to the Key Personnel's :-

- Total Directors Sitting fees paid to the directors for the year 2023 was BHD 13,000 towards Directors Attendance fees.
- Total remunerations and provisions only to the key executive officers (the top Six employees), for the year 2023 amounts to BD 332,048.

5. Company's Organizational Structure.



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6. The Description of the Board's duties and competences, its committees, meetings held.

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

The board of directors of the company is responsible for the overall management and the 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 insure that the necessary financial and other resource 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 disclose policies, BOD's overlook the responsibility of devoting and recommending changes to corporate governance policy frame work as set by MOIC. All the major transaction 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 not limited to:

Strategic Planning and Budgeting

Corporate governance

Key personal management

Financial management

Risk management

Internal control system

The directors are also 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.

Board Committees

Audit Committee:

(A) Audit Committee's members:

Mr. Waleed Al Tharman – Chairman of the Audit Committee

Mr. Rashed Abdulla Al Suwaiket Al Hajri – Director

Mr. Abdulla Fahad Al-Subaie – Vice Chairman

(B) 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 2023 two meetings were held by the committee. The Audit Committee is entrusted with the responsibility of insuring that adequate internal controls are in place to mitigate any existing or potential risks.

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Nomination and Remuneration Committee (NRC):

(A) NRC committee's members.

Mr. Rashed Abdulla Al Suwaiket Al Hajri – Chairman

Mr. Abdulla Mubarak Al Suwaiket – Director

Mr. Waleed Al Tharman – Director

(B) Duties & Responsibilities

The NRC committee member's 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 2023 one meeting was held by the committee.

Corporate Governance Committee:

(A) CGC members.

Mr. Rashed Abdulla Al Suwaiket Al Hajri – Chairman

Mr. Abdulla Mubarak Al Suwaiket – Director

Mr. Qusay Al Khalili – Director

(B) Duties & Responsibilities

This committee is responsible for the developing and making recommendations on the charges required under the company's corporate governance policy from the time to time. It also monitors the implementation of the Corporate Governance framework with the Executive Management and Audit Committee. During the financial year 2023 one meeting held by the committee.

Board Meetings held in 2023

The Board met four times by virtual means during the year 2023 which was attended by all Members of the Board (100% attendance). The meeting dates are given below.

Meeting Dates:-

26th February 2023

14th May 2023

13th August 2023

11th November 2023

7. External Auditors:

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 31st December 2023 and have provided an unqualified opinion on the consolidated financial statements of the Group.

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Fees and charges for the audit or services provided by the external auditor during the year 2023, in addition to a description of the auditors years of service as the Company's external auditor. According to the following table:

Name of the audit firm	BDO
Years of service as the Company's external auditor	13 years
Name of the partner in charge if the Company's audit	Nath Venkitachalam
The partner's years of service as the partner in charge of the Company's audit	12 years
Total audit fees for the financial statements for the year 2023(BHD)	BD 4,450.000
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2023(BD) if any. In the absence of such fees, this shall be expressly stated	BD 6,050.000 2023 Quarterly reviews and AUP reports.

8. Appointment of Corporate Governance Officer

UGIC has appointed its Head of Finance Mr. Vinod Ramakrishnan as its Corporate Governance Officer.

He has over 18 years' experience in the 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. Details of any Penalties paid to regulatory authorities.

The company has paid BD Nil penalties to the regulatory authorities during the year 2023.

10. Description of Social Contributions done for the year 2023.

UGIC and its subsidiaries on a yearly basis pay Zakat in KSA of about SR.5 Million by law which goes ultimately to charity purpose in KSA. There was an extra provision taken due to dispute with zakat authority over zakat amount for years 2015-2018 of about SR.7 Million towards zakat for 2015-2018

11. Detailed statement of Shareholders Equity.

A. Statement of shareholder's equity as of 31/12/2023 (individuals, corporate, government or organizations) to be classified as follows: Bahraini & Arab.

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
1	Bahraini	5.025%	3.299%	0.021%	8.345%
2	Non Bahraini	76.969%	14.686%		91.655%
3	Total	81.994%	17.985%	0.021%	100.00%

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B. Description of the shareholders who hold 5% or more of the company's share capital, indicating the name of the natural person who hold the shares, the final beneficiary, as at 31/12/2023 as follows:

Name	Number of shares held	Shareholding %	Name of the natural person, the final beneficiary
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 31/12/2023 as follows:

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	918	8,566,714	4.283%
2	50,000 to 500,000	205	29,132,031	14.566%
3	500,000 to 5,000,000	56	78,318,878	39.159%
4	>5,000,000	4	83,982,377	41.991%
Total		1183	200,000,000	100.00%

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12. 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	
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	
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	
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	

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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		Board is evaluating alternative options available to fulfil its corporate social responsibility.
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The BOD will take all necessary steps 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 2024.

13. Summary of Board Charter Report (BCR) & Disaster Recovery Plan (DRP)

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.

UGIC's 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 hardcopy records as well as soft copy records of all transactions and contacts. 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, 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 an increase in electricity tariff and possible negotiation from major clients on pricing or losing major clients, which can be mitigated by negotiation of long time contacts.

SABAYEK has enhanced its governance through having three board members who are Management executives in SABAYEK itself.

14. Anti-money laundering. (AML)

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.

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15. Risk management strategies and Policies.

Risk management is essentially about identifying, monitoring, and controlling all material risk 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: a possible increase electricity tariff over Sabayek on the long run, 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. Sabayek has added new efficiency projects that will help reduce risk and increase productivity and overall efficiency of about 15%. Also is working on new projects for diversification which will reduce risk concentration of production.

UGIC management has successfully managed to increase the customs from 5% to 12% on imports of finished goods which will help to avoid dumping and going into huge losses.

SABAYEK has renewed its main contracts with HADEED for a period of 5 years to mitigate any risk, this is to cover the sales. It has also obtained a 2-year contract with Emirates steel. The above covers 70% of SABAYEK sales for 2 years. Moreover, we have already obtained the reduced electric tariff (secured for 2024). We have also renewed the manganese ore contract for a period of 2 years (the main raw material 60% of it). We are also doing preventive maintenance for the furnaces to insure operations

We have also hired a head of internal Audit in sabayek as well as a head of operational excellence to develop and enhance corporate governance and best practices in SABAYEK. We have also implemented the new ERP system (SAP 4 hana) to enhance operational governance, best practices, including automated processes and approvals. It is also linked to ZAKAT authority for phase 2 electronic billing.

For new Assets, The investment risk 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. SABAYEK has hired an internal auditor which should enhance governance and transparency.

CEO Signature:

Date: 27/02/2024