

CORPORATE GOVERNANCE

OVERVIEW

Esterad's Board charter outlines the responsibilities of the Company's Board of Directors, and identifies the personal and professional conduct expected of the directors. It defines the respective roles, responsibilities and authorities of the Board and of Management in the governance, management and control of the organization.

The Corporate Governance principles followed by Esterad are in line with the requirements of the Corporate Governance Code issued by the MOICT and the High Level Controls (Corporate Governance) Module of CBB Volume 6 and any other rules, regulations and Directives issued on this matter.

OUR COMMITMENT

Esterad has long embraced the values embodied in the Company's operating principles: integrity, respect for people and diverse backgrounds, courtesy, and shareholder focus. Consistent with these principles, Esterad is committed to applying international standards and best practices in its corporate governance.

The Board is committed to maintaining a high standard of corporate governance practice and devotes considerable effort to identify and formalise best practices. We believe that sound and effective corporate governance practises are fundamental to the smooth, effective and transparent operation of the Company and its ability to protect the rights of shareholders and stakeholders, and enhance shareholder value. In recent years, we have strengthened the Company's corporate governance implementation with more detailed principles, in line with regulatory requirements.

GOVERNANCE

Governance aims to establish a system that governs and controls the companies' businesses and practices in order to create efficient institutions which contribute to building a strong, transparent 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. As per the Company's organization structure, the Board plays a pivotal role in the Company's corporate governance. It is ultimately responsible for the Company's compliance with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders. This is achieved with collaboration from all parties including the Board and its sub-committees, particularly the Board Executive Committee, the Board Audit & Risk Committee and the Board Nomination & Remuneration Committee, in union with the external and internal auditors, and Company's officers and employees.

OWNERSHIP STRUCTURE

Esterad Investment Company shares are listed on the Bahrain Bourse. The Company has issued 140,000,000 ordinary shares, each with a nominal value of 0.100 fils. All shares are fully paid.

Description of the shareholders who hold 5% or more of the Company's share capital

#	Name	No of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Manarat Investment Holding, Cayman	29,682,057	21.20%	Manarat Investment Holding
2	National Bank of Bahrain BSC	17,302,311	12.36%	National Bank of Bahrain BSC

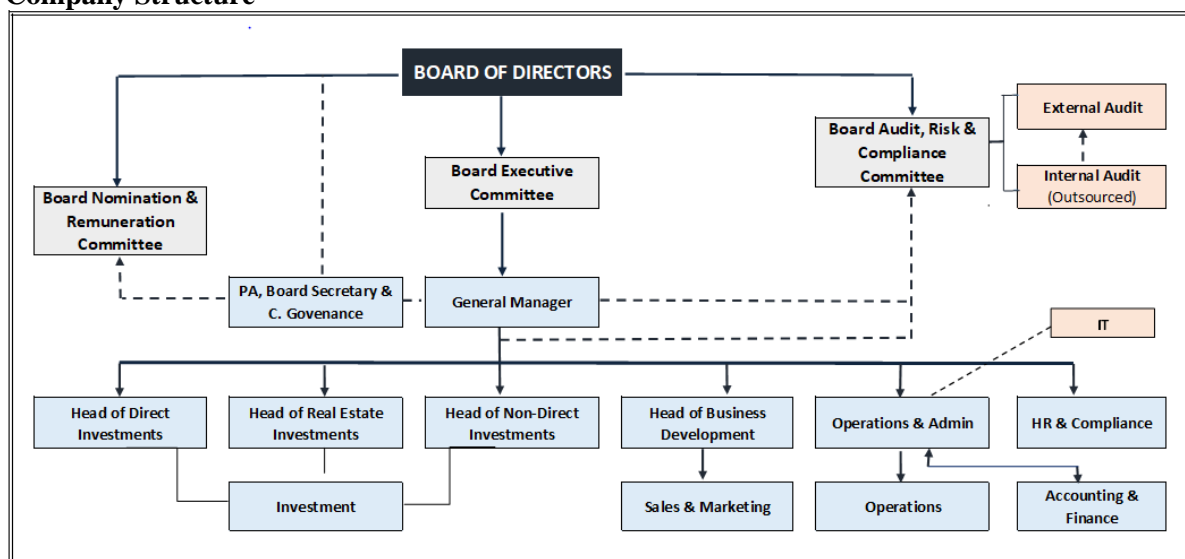
Description of Shareholder classification

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
1	Local	52.13%	24.13%	0.86%	77.12%
2	Arab	1.38%	0.00%	0.0%	1.38%
3	Foreign	0.00%	21.50%	0.00%	21.50%
	Total	53.51%	45.63%	0.86%	100.00%

Description of how Shareholders are distributed according to their respective shareholding

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	4,024	26,018,006	19.01%
2	50,000 to 500,000	224	31,677,918	23.41%
3	500,000 to 5,000,000	32	35,319,708	24.02%
4	>5,000,000	2	46,984,368	33.56%
	Total	4,282	140,000,000	100%

Company Structure



The group structure of Esterad Investment Company BSC, and its subsidiaries

Name/Entity	Nationality	Legal Status	Percentage	Invested Capital
Esterad Real Invest 1 W.L.L	Bahraini	WLL	100.00%	BHD 3,300,000/-
Esterad Bahrain Invest II W.L.L	Bahraini	WLL	98.14%	BHD 2,225,900/-
Esterad Real Estate Holding	Bahraini	WLL	97.03%	BHD 593,800/-
Labac UAE 1	Bahraini	WLL	51.00%	BHD 612,000/-
*Esterad Amwaj Co., WLL	Bahraini	WLL	70.00%	BHD11,900,000/-
Esterad Amwaj Partnership Co.,	Cayman	Ltd	100.00%	USD 8,500/-

*Owned by Esterad Amwaj Partnership Co., Cayman Islands

BOARD, BOARD MEMBERS AND MANAGEMENT

The Board shall consist of executive, non-executive and independent Directors in accordance with the rules and regulations of the Ministry of Industry, Commerce & Tourism and the Company Articles of Association. The Board of Directors is elected by the shareholders to oversee the management of the Company and to assure that the long-term interests of the shareholders are being served.

The Board of Directors charter/ framework was first established in 2012 and periodically reviewed thereafter. The main function of the board is to manage the business in the best interest of the stakeholders. It is their duty to add value to the business and to ensure that the Company continues to improve its profitability and the price or value of its shares.

The Board is responsible for oversight of Esterad's business that is conducted by its managers, officers and employees, under the direction of the General Manager. The Board has the authority to determine, all matters relating to the directions, policies, practices, management and operations of the Company and is accountable to the shareholders and stakeholders of the Company for the business operations and affairs of the Company.

Primarily, the Board's role is to:

- Provide leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- Set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and
- Set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

Independence of Directors

In line with the requirements of the CBB's HC Module, Esterad has in place Board-approved procedures to review and determine the Directors' Independence' on an annual basis, as specified in the CBB rule book and in line with the MOICT Corporate Governance Code. A review was carried out in 2019 and the Board of Directors resolved that the three Executive Directors of Esterad met the relevant requirements and accordingly, they were classified as 'Independent' Directors.

The Board of Directors comprises of seven members and include Independent and Executive Directors.

Name	Classification	Representation
Mr. Hesham Al Rayes	Executive Director	Corporate Shareholding
Mr. Abdulrahman Jamsheer	Independent Director	
Mr. Husain Al Hussaini	Executive Director	Corporate Shareholding
Mr. Razi Al Merbati	Executive Director	Corporate Shareholding
Mr. Husain Amer	Independent Director	
Mr. Abdulla Jamsheer	Independent Director	
Mr. Mazen Abdulkarim	Independent Director	

- The Board Audit & Risk Committee comprises of two Independent members and one Executive member.
- The Board Nomination & Remuneration Committee comprises of two Independent members and two Executive members
- The Board Executive Committee comprises of two Independent members and two Executive members
- Board Term: The Board was re-elected/ re-appointed by the shareholders in the AGM held on 22nd March 2017 for a term of three years, expiring 31st December 2019
- Director's Appointment Letters: In accordance with the CBB Module and in line with the Corporate Governance Code, each Director has signed a Director's appointment letter which includes his duties and terms and conditions.
- No change of Directors during the year.

Composition of the Board, including Directorships

No.	Name	Category	Experience	Qualification	Term of Directorship - from date of his first election/appointment	Directorships and positions in other companies	Positions in any other key regulatory, government or commercial entities.
1	Mr. Hesham Al Rayes	Executive	21 years	MBA, & B.Engineering	20-Dec-2018	Director, GFH Financial Group, Bahrain Chairman of Balexco, Bahrain Chairman, Gulf Holding Company KSC, Kuwait Director, Khaleeji Commercial Bank, Bahrain Director, Falcon Cement Company, Bahrain	GFH Financial Group
2	Mr. Abdul Rahman Jamsheer	Independent	46 years	BSc, Agricultural Science & Engineer AGRICOLE diploma	3-May-1981	Chairman, Fortuna Co. WLL, Bahrain Chairman, Delmon Poultry Bahrain Vice Chairman, Lona Real Estate, Bahrain Board Member, Cold Storage Company (BANZ) Bahrain Board Member, Bahrain Duty Free Shops, Bahrain	Member of Bahrain Shura Council
3	Mr. Husain A. Sayed Al Hussaini	Executive	37 years	MBA, Marketing & Management	22-Mar-2010	Vice Chairman - SICO, Bahrain Member, Board Trustees Bahrain Polytechnic Member, CBB Deposit Protection & Unrestricted Investors Accounts	Chief Executive, Treasury, Capital Markets & Wealth Management at the National Bank of Bahrain.
4	Mr. Razi Al Merbati	Executive	16 years	BSc, Business Information	20-Dec-2018	Director, Falcon Cement Company	GFH Financial Group
5	Mr. Husain Aamer	Independent	31 years	Diploma, Economics & Accounting	5-Feb-1996	Chairman, Gulf Dental Specialty Hospital, Bahrain Galaxy Investment Company, Bahrain	NIL
6	Mr. Abdulla Jamsheer	Independent	36 years	BA, Philosophy and Psychology	5-Feb-1996	Director, United Paper Industries, Bahrain Chairman, Jamsheer Investments, Bahrain Director, Sanad Investments, Bahrain Chairman, Egyptian European Investment Co., Egypt	NIL
7	Mr. Mazen Abdulkarim	Independent	26 years	BSc, Finance	10-Sep-2008	Gulf Investment Corporation G.S.C. Kuwait Al Jazeera Tourism Company B.S.C. Bahrain	NIL

BOARD PERFORMANCE EVALUATION, INDUCTION AND TRAINING

An annual evaluation of the Board and its committees was conducted in 2019 and results reviewed and analysed by the Board Nomination and Remuneration Committee, with recommendations ratified by the Board of Directors prior to the Annual General Meeting. The Committee acknowledged that all board members have the relevant skills and expertise to effectively carry out their duties as board and committee members. During 2019 part of Board training explored practical frameworks, board of Directors' best practices, in-depth corporate governance training, and identifying the strategies, structures and processes to optimize board efficiency.

DIRECTORS SHAREHOLDING INTERESTS AND TRADING ACTIVITIES

The number of shares held by Directors, senior management and their related parties as at 31st December 2019:

Name	Title	31 Dec. 2019	31 Dec. 2018
Mr. Hesham Al Rayes *	Chairman	473,856	0
Mr. Abdul Rahman Jamsheer**	Deputy Chairman	2,260,124	2,203,836
Mr. Husain A. S. Al Hussaini	Director	62,271	62,271
Mr. Razi Al Merbati	Director	0	0
Mr. Abdulla Jamsheer	Director	473,856	473,856
Mr. Husain Aamer	Director	128,700	128,700
Mr. Mazen Abdulkarim	Director	303,070	303,070
TOTAL		3,228,021	3,171,733
As a percentage of total number of shares*		2.31%	2.27%

Percentage calculated on the basis of 140,000,000 shares.

* Through Lewan Investment Holding, Cayman Island

** Through Fortuna Company WLL, Bahrain

Directors trading activities during 2019

Name	Transaction date	Shares bought/ Sold	Total
Fortuna Company WLL, Bahrain - Mr. Abdul Rahman Jamsheer, Director	2018 CFWD	-	2,203,836
	9-May-19	7,000	2,210,836
	12-May-19	48,518	2,259,354
	22-May-19	770	2,260,124
TOTAL		56,288	2,260,124

Name	Transaction date	Shares bought/ Sold	Total
Lewan Investment Holding, Cayman Island - Mr. Hesham Al Rayes, Chairman	2018 CFWD	-	-
	9-Jun-19	30,000	30,000
	10-Jun-19	40,000	70,000
	12-Jun-19	52,746	122,746
	13-Jun-19	94,000	216,746
	17-Jun-19	184,824	401,570
	20-Jun-19	20,000	421,570
TOTAL		421,570	421,570

ELECTION SYSTEM OF DIRECTORS AND TERMINATION ARRANGEMENTS

Board Membership

There are formal and thorough procedures for the appointment of new Directors to the Board and are subject to the Commercial Companies Law, and the Company's Articles of Association, as amended from time to time. Currently the size of the Board of the Company is seven members. All of Directors of the Company were elected and appointed at the Annual General Shareholders meeting held on 22nd March 2017. 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. The validity of the Directorship is three years commencing from the election date. The next election date is scheduled to be held during March 2020.

The General Assembly shall elect the members of the Board through secret 'cumulative voting'. Candidates who secure majority votes of those present shall be elected as members of the Board.

Any appointment or election to the Board is subject to acknowledgement of the admission of nominating in writing. The acknowledgements shall include disclosures of his/her business activity which competes with the business of the Company directly or indirectly; and the names of the companies on which he or she holds any employment or membership in the Board of Directors.

Termination of Board Membership

A Director's membership of the Board of Directors terminates in the following events:

- 1) If he was appointed or elected contrary to the provisions of the Central Bank of Bahrain rules and regulations, the Commercial Companies Law and/ or the Company's Articles of Association.
- 2) If he forfeits any of the conditions stated in Article 26 of the Company Articles of Association.
- 3) If he misuse his position as Director in carrying on personal matters or business in which he has a personal interest, or that is competitive to that of the Company or if he causes any type of actual damage to the Company or adversely affected its reputation. Termination from the Board of Directors shall not prejudice the Company's right to compensation.
- 4) If he fails to attend at least 75% of all the Board meetings in a given financial year without lawful excuse notified in writing to the Board, and the Board shall resolve on this matter as it may deem fit.
- 5) If he resigns or withdraws from his office, provided the foregoing shall be done in an opportune and suitable time, otherwise he shall be liable to pay compensation to the Company.
- 6) If he accepts appointments in any other office in the Company for which he would receive salary or remuneration other than that which the Board of Directors may decide from time to time to remunerate him because of the executive nature of his duties.

Removal of the Directors

The General Meeting may terminate the membership of all or some of the members of the Board of Directors. Requests for termination shall be presented to the Board of Directors by shareholders representing at least 10% of the Capital. The Board shall forward such request to the General Meeting within a maximum period of one month from the date of its submission; otherwise the Ministry of Industry, Commerce and Tourism may issue a notice for the meeting. The General Meeting may not consider this request with respect to the said termination unless the request is on the agenda, save when serious developments are revealed during the meeting requiring such termination.

Filling Vacancies on the Board

In case the office of one or more Directors becomes vacant, filling the vacancy/ vacancies shall be in accordance with the provisions of Article (179) of the Law.

BOARD MEETINGS AND ATTENDANCE

Description of the Board's duties and functions:

The board's key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs, while meeting the appropriate interests of its shareholders and relevant stakeholders, and will in particular include:

- Provide leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- Set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

- Set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.
- Establish key Company policies and procedures.
- Constructively challenge and contribute to the development of strategy;
- Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- Forming Executive, Audit & Risk, and other Committees, appointing their members and specifying their powers, as well as ensuring a formal board nomination and election process;
- Serve on the any committees of the Board as required from time to time and attend meetings of any such committees;
- At all times comply with the Articles and Memorandum of Association of the Company;
- Abide by fiduciary duties as a director of the Company;
- To use best endeavours to promote, protect, develop and extend the business of the Company;
- Immediately report any wrongdoing or proposed wrongdoing of any other employee or director of \ the Company to the Chairman; and
- Ensuring compliance with any codes with applicable laws/ guidelines and practices issued or adopted by the Company from time to time.
- Monitoring conflicts of interest and related party transactions.

Board of Directors' Meetings

Directors of the Company play an active role in participating in the Company's meetings through contribution of their professional opinions and active participation in discussion According to the Bahrain Commercial Companies Law and CBB rules, Board meetings will be conducted at least four times a year (on a quarterly basis) and all Board members must attend at least 75% of all Board meetings within a calendar year.

Directors	Title	2019 Meetings Dates						
		28/1/2019	19/3/2019	28/4/2019	6/7/2019	*16/7/2019	23/10/2019	27/11/2019
Mr. Hesham Al Rayes	Chairman	√	√	√	√	√	√	x
Mr. Abdulrahman Jamsheer	D. Chairman	√	√	√	√	√	√	√
Mr. Hussain Al Hussaini	Director	√	√	√	√	√	√	√
Mr. Razi Al Merbati	Director	√	√	√	√	√	√	x
Mr. Hussain Aamer	Director	√	x	√	√	√	√	√
Mr. Abdulla Jamsheer	Director	√	√	√	√	√	√	√
Mr. Mazen Abdulkarim	Director	√	√	√	√	√	√	√

*Meeting by circulation.

Note:

- Number of meetings held: 7 (6 actual + 1 by circulation).
- The Chairman of the Board of Directors is an Independent, Executive Director unanimously chosen by the board members.

Board Audit & Risk Committee Meetings

The Board Audit & Risk Committee monitors the financial reporting process of the Company and reviews the company's financial control, risk management and internal control systems and arrangements under the Company's whistle-blower policy.

Directors	Title	2019 Meetings Dates			
		28/1/2019	28/4/2019	16/7/2019	23/10/2019
Mr. Razi Al Merbati	Chairman	√	√	√	√
Mr. Husain Aamer	Member	√	√	√	√
Mr. Abdulla Jamsheer	Member	√	√	√	√

Note:

- As per the Board Audit & Risk Committee Charter a minimum of 4 meetings are to be held annually.
- Actual number of meetings held: 4.
- The Chairman of the Board of Directors is an Independent, Executive Director unanimously chosen by the board members.

Board Nomination & Remuneration Committee Meetings

The Board Nomination and Remuneration Committee reviews the structure, size and composition of the Board and its Committees and makes recommendations to the Board on the appointment and re-appointment of Directors.

Directors	Title	2019 Meetings Dates		
		21/1/2019	28/1/2019	8/9/2019
Mr. Hesham Al Rayes	Chairman	√	√	√
Mr. Husain Al Hussaini	Member	√	√	√
Mr. Abdulrahman Jamsheer	Member	√	√	√
Mr. Mazen Abdulkarim	Member	√	√	√

Note:

- As per the Board NRC Charter a minimum of 2 meetings are to be held annually.
- Actual number of meetings held: 3.
- The Chairman of the Board NRC is an Independent, Executive Director unanimously chosen by the board members.

Board Executive Committee Meetings

The purpose of the Board Executive Committee is to review and implement the Company's business strategy, monitor performance and manage its assets and liabilities in accordance with the policies and directives of the Board.

Directors	Title	2019 Meetings Dates				
		21/1/2019	28/4/2019	8/9/2019	21/10/2019	11/12/2019
Mr. Hesham Al Rayes	Chairman	√	√	√	√	x
Mr. Husain Al Hussaini	Member	√	√	√	√	√
Mr. Abdulrahman Jamsheer	Member	√	√	√	√	√
Mr. Mazen Abdulkarim	Member	√	√	√	√	√

Note:

- As per the Board Executive Committee Charter a minimum of 4 meetings are to be held annually.
- Actual number of meetings held: 5.
- The Chairman of the Board Executive Committee is an Independent, Executive Director unanimously chosen by the board members.

Work of Committees and any Significant Issues

The Committees report their activities and put forward recommendations to the Board during the quarterly Board Meetings. No significant issues were reported during 2019.

The Annual General Meeting

It is mandatory by Commercial Company Law Decree No. 21 of 2001 (and as amended) for all Bahraini Shareholding Companies to hold their Assembly General Meetings annually. The General Meeting of Shareholders is Esterad's highest decision-making body in which shareholders participate in the management and supervision of the Company. During the financial year, the Annual General Meeting (AGM) is normally held in March and an Extraordinary General Meetings (EGM) wherever necessary. The objective is that as many of Esterad shareholders as possible can be involved in decision-making at a General Meeting. Esterad's Corporate Governance Principles provides that Directors are expected to attend annual shareholder meetings. At the Company's last annual shareholder meeting dated 19th March 2019 six out of seven Board members attended, one was absent. No dividends were paid to shareholders for the year ending 2018.

A media announcement/ notice shall be made at least 21 days before the meeting and shall include the meeting's agenda and the invitation for the general assembly. The notice lists items on the Meeting's agenda and the criteria specifying a shareholder's right to attend the Meeting himself or by proxy. Moreover, the notice of the General Meeting and the Board of Directors' and shareholders' proposals to the Meeting will be published as a stock exchange release.

Additionally, all documents, such as the Financial Statements, Chairman's Statement, Auditors' Report, proposed Dividend announcement and Nomination for Board membership (Election year only) will be available to shareholders on the Company's website at www.esterad.net prior to the Meeting.

REMUNERATION AND SITTING FEES OF DIRECTORS

Remuneration is performance based. Each Director will be entitled to a Director's remuneration fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meeting.

- Total remunerations paid to the directors for the (last) year 2018: NIL
- The proposed total remunerations to be paid to the directors for the year 2019, which will be presented at the annual general meeting for approval: BHD 175,000/-
- Sitting fees paid to the Company's Board of Directors for Board and Committee meeting attendance during 2019:

Description	No. of meetings	Paid (BHD)
Board of Directors	7	39,000
Audit & Risk Committee	4	9,000
Executive Committee	5	14,250
Nomination & Remuneration Committee	3	9,000
Total		71,250

Note: No sitting fees paid for Board of Directors meeting dated 16th July 2019.

EXECUTIVE MANAGEMENT

List of Executive Management & Shareholding Interests

No.	Name	Title	Experience	Employment date	Qualification	Directorships and positions in other companies
1	Mr. Chandan Gupta	General Manager	+ 20 years	24-Mar-2019	Chartered Accountant (CA)	Director, Lefebvre Gulf BSC, Bahrain
						Director, Oman Aluminium Cast, Oman
						Director, Esterad Amwaj Co. WLL, Bahrain
						Director, Esterad Amwaj Partnership Co., CI
2	Mrs. Hanan Abdulghani	Head of Direct Investments	15 years	5-Jun-2005	BSc. Banking & Finance	Chairperson, Lefebvre Gulf BSC, Bahrain
					Certified Financial Analysts (CFA)	Lefebvre Engineering FZC, Sharjah
						Director, Oman Aluminium Cast, Oman
						Director, First Bahrain Real Estate Devp. Co., Kuwait
3	Mr. Mohamed Noor	Head of Non- Direct Investments	+ 25 years	1-Mar-1998	BSc, Business Administration	Nil
4	Mr Abdulla Nooruddin	Head of Real Estate	16 years	6-May-2019	MSc, Business Information Techn,	Director, Esterad Amwaj Co. WLL, Bahrain
						Director, Esterad Amwaj Partnership Co., CI
					BSc, Economics	Director, Amwaj Islands Central Owners Association, Bahrain
					Certified Financial Analysts (CFA)	Director, Mayflower Investments, Bahrain.
						Director, Leaves Holding WLL
5	Mr. Abdulrahman Al Malki	Head of Business Development	16 years	14-Apr-2019	BSC in Management Information System	Nil
					Securities Market Regulations (Series 79)	
					Youth Leadership Grooming Program member – Ivey Bus. School (HK/Canada)	
					Investment Rep. (Series 7)	

The number of shares held by Directors, Executive Management and their related parties

Name	Title	31 Dec. 2019	31 Dec. 2018
Mr. Chandan Gupta	CEO	0	0
Mrs. Hanan Abdulghani	Director	0	0
Mr. Mohamed Noor	Senior Manager	0	0
Mr. Abdulla Nooruddin*	Senior Manager	11,288	0
Mr. A.Rahman Al Malki	Senior Manager	0	0
TOTAL		11,288	0
As a percentage of total number of shares**		0.008%	0.00%

* New employee

** Percentage calculated on the basis of 140,000,000 shares

Senior Executive Management trading activities during 2019: Nil

Total Remunerations paid to the Key Executive Officers

Total remunerations (lump-sum) paid to the top key Senior Executives/ employees, including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions: BHD213,588/-

- Note # 17, Page 25 of the 2019 Audited Financial Statements.

Related Parties Transactions

The Company has in place a policy which is set out to define the related parties, related transactions and how the Company discloses information. The policy applies to Esterad's Directors and Key Management Personnel.

- As per the 2019 audited Financial Statements, Note # 17, Page 25 pertains to related parties transactions.

INTERNAL CONTROLS, POLICIES & PROCEDURES

At Esterad clearly defined policies are in place to provide guidance on the best ways to manage, lead, organize and monitor the business through a series of transparent, clearly defined policies, processes and procedures.

Conflicts of Interest

Each Director and officer shall inform the entire board of conflicts of interest as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Company Law. This disclosure shall include all material facts in the case of a contract or transaction involving the Director or Officer. The Directors and Officers must understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision. In compliance with the Central Bank's Corporate Governance Code (Principles HC 2.2 and HC2.3) and the Company's Board Charter, the Board of Directors and Executive Management each made every practical effort to arrange his/her personal and business affairs to avoid a conflict of interest with the Company which resulted in their declaration of no 'conflict of interests' during the year. During 2019, no conflict of interest was raised or noted to the Board and no Director abstained from voting.

Disclosure Policy

The Company's disclosure policy aims to ensure that all parties operating in the market have simultaneous access to sufficient and true information on the Company. The periodic disclosure obligation refers to the Company's obligation to disclose information regularly on its profit performance; financial statements and the Report by the Board of Directors as well as interim reports.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics applies to all Directors, officers and employees of the Company. The Code covers a wide range of best practices and procedures. Those who violate the standards in the Code shall be subject to disciplinary action up to and including termination of employment.

Whistle-Blower Policy

In order to encourage all employees to disclose any wrongdoing that may adversely impact the Company, the Company's stakeholders, employees, or the public at large, the Board introduced the Whistle-blower Policy in 2011. This policy was circulated to all Directors and employees of the Company and sets forth:

- An investigative process of reported acts of wrongdoing and retaliation and
- Procedures for reports of questionable auditing, accounting and internal control matters from employees on a confidential and anonymous basis and from other interested third parties.
- The policy provides adequate protection to the employees.

Succession Planning

The objective of the Company's succession plan is to manage the process of attrition in critical positions of the Company, without affecting the Company's performance, i.e. to ensure that the correct calibre of successor is in place, both in the event of an emergency and during the normal course of business.

Critical positions that meet these criteria are all positions from Manager Level and above. In addition, from time-to-time certain other positions may be considered as "Critical Positions". An Annual review was performed in September 2019.

Internal Controls

The Board of Directors is responsible for the Company's system of internal control. It sets appropriate policies on internal control and seeks regular assurances that will enable it to satisfy itself that the system is functioning effectively. The Board further ensures that the system of internal control is effective in managing risks in the manner that it has approved. Thus, a full review of the Company's system, policies, procedures and compliance are examined independently by outsourcing to an Internal Auditor who reports directly to the Board Audit & Risk Committee and finally to the Board of Directors.

Moreover, all employees have some responsibility for internal controls as part of their accountability for achieving objectives. They, collectively, have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal control.

Company Adoption of the Corporate Governance Code and Compliance as follows:

Principal	Non-Compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company Shall be Headed by an Effective, Collegial and Expert Board.		✓		See note below
Principle 2: The Directors and Executive management Shall have Full Loyalty to the Company.			✓	
Principle 3: The Board Shall Have Rigorous Controls for Financial Audit and Reporting, Internal Control, and Compliance With the Law.			✓	
Principle 4: The Company Shall have Effective procedures for Appointment, Training, and Evaluation of the Directors.			✓	
Principle 5: The Company Shall Remunerate Directors and Senior Officers Fairly and Responsibly.			✓	
Principle 6: The Board Shall Establish a Clear and Efficient Management Structure for the Company and Define the Job Titles, Powers, Roles and Responsibilities.			✓	
Principle 7: The Company Shall Communicate With Shareholders, Encourage Their Participation, and Respect Their Rights.			✓	
Principle 8: The Company Shall Disclose its Corporate Governance.			✓	
Principle 9: Companies Which Offer Islamic Services Shall Adhere to the Principles of Islamic Shari'a.*			N/A	
Principle 10: The Board Shall Ensure the Integrity of the Financial Statements Submitted to Shareholders Through Appointment of External Auditors.			✓	
Principle 11: The Company Shall Seek Through Social Responsibility to Exercise its Role as a Good Citizen.			✓	

The Board has adopted the Company's Code of Conduct on the criteria and determinants of professional conduct and ethical values, as mentioned in Chapter Two, Section Two, Paragraph five, of the Code and 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, with the exception of the following:

- HC-1.4.5, HC-3.2.1, HC-4.2.2, HC-5.3.2 which stipulates that the Chairman of the Board of Directors, the Audit Committee, and the Nomination & Remuneration Committees should each be an independent Director.

In these instances, the Company used the "Comply or Explain" principle, namely that "The Chairman of the Board of Directors and the Board Committees are non-independent, Executive Directors unanimously chosen by the board members after a rigorous review by the members of their qualifications and experience".

AUDITORS AND CONSULTANCY SERVICES

External Audit: As part of its duties and responsibilities, the Audit & Risk Committee reviews and recommends to the Board, the appointment, resignation, or dismissal of the external auditors and the audit fees as well as discusses with the external auditors their work, findings and recommendations. The current External Auditor is KPMG, details below:

Name of the audit firm	KPMG FAKHRO
Years of service as the Company's external auditor	Since 1973
Name of the partner in charge of the Company's audit	Jalil Al Aali
The partner's years of service as the partner in charge of the Company's audit	1
Total audit fees for the financial statements for the year 2019 (BHD)	19,859.-
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 (BHD) if any. In the absence of such fees, this shall be expressively stated.	NIL

Internal Audit: The internal audit role is outsourced to Grant Thornton public accountants who perform an examination of the internal control systems for Esterad and provide an independent and objective review of the efficiency of the Company's operations. Grant Thornton reports directly to the Board Audit & Risk Committee. *The Company paid a total of BHD 5,600/- to Grant Thornton in 2019 for services rendered.*

The Board has recommended the reappointment of KPMG for the audit year ending 2020, subject to approval by the shareholders at the General Assembly Meeting.

CORPORATE SOCIAL RESPONSIBILITY

Since our founding in 1973, Esterad has embodied the true spirit of corporate social responsibility, and we are committed to the highest standards of corporate citizenship. The Company culture and values are rooted in service, integrity, and taking personal responsibility for our actions, outcomes, and reputation. During 2019 Esterad approved and disbursed several CSR community contributions and initiatives, as below:

No.	Charity	Type	Amount (BHD)	Status
1.	Bahrain Red Crescent Society	Communality welfare	30,000/-	Paid
2.	Bahrain Defence Force, Cardiac Centre	Health	26,000/-	Paid
3.	Terminal illness treatment	Health	5,000/-	Paid

In addition to the above, Esterad continues to provide premises (gratuitous) to the “Be Free” Centre which falls under the umbrella of the Bahrain Women’s Association for Human Development.

SHAREHOLDER MATTERS

The Board of Directors actively encourage transparency and is committed to maximizing shareholder value. With over forty five years history and a successful investment track record, Esterad looks forward to continuing to serving the interests of its shareholders and investment partners for many years to come. The Board of Directors shall observe the requirements of the Commercial Companies Law in respect of the Shareholders’ general assemblies and **shareholder rights**. A specific section to describe shareholders’ rights to participate and vote at each shareholders’ meeting, including invitations can be viewed on the Company’s website: www.esterad.net

Shareholder Services

The Company’s share register is maintained by Karvy Fintech (Bahrain) W.L.L. in addition to an electronic version maintained by the Bahrain Bourse. Any matter in relation to the transfer of shares, change of name or address, or loss of share certificate or dividend cheques etc. should be addressed to Karvy directly:

Address: 7th Floor, Al Zamil Tower,
Building 31, Road 383, Block 305, Manama,
Kingdom of Bahrain
Tel: +973 215080
Email: bahrain.helpdesk@karvy.com

Communication with Shareholders’

The Board of Directors shall maintain ongoing personal contact with key shareholders to solicit their views and understand their concerns. To ensure all shareholders have equal and timely access to important Company information, Esterad’s main media and communication tool is through the Bahrain Bourse market announcements and press releases. All material facts are also available on the Company’s website at www.esterad.net. Uploads include the publishing of its annual reports, audited financial statements (annual and quarterly), corporate governance report, media releases and any other important announcements and newsletters.

Rumours and Information Leaks

Esterad will not comment on rumours circulating in the market, share price performance or competitors' or clients' actions unless it is necessary to do so in order to correct information that is relevant to the Company or obviously incorrect. Nor will the Company comment on business transactions that are considered confidential or incomplete from the point of view of the Company's operations. In case Company-related, unpublished information has inadvertently been disclosed outside the Company's insiders, Esterad will communicate the matter to the Compliance Officer with the practice commonly applied to the disclosure of material information.

Contact Esterad and its Board of Directors

The Board recognizes the importance of communication and adopts an effective and transparent system between the Company and its shareholders. Moreover, the annual general meeting provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Company's business at the AGM. Moreover, interested persons can also contact the Board by mail or by e-mail in writing through Investor Relations mentioned below:

Investor Relations
Esterad Investment Company
24th Floor, Suite 2404, Almoayyed Tower
Seef District
P.O. Box 1080, Manama, Kingdom of Bahrain.

Tel: +973 17585400
Fax: +973 17585444
Email: mail@esterad.net