UGH Corporate Governance Report 2020

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United Gulf Holding Company B.S.C.

Corporate Governance Report for the year 2020

Name of Company: United Gulf Holding Company B.S.C.
Commercial Registration No. 114160-1

1. Description of the actions taken to complete the Corporate Governance Code during 2020

United Gulf Holding Company (UGH, the Company) was incorporated in the Kingdom of Bahrain on 28 June 2017. It is registered with the Ministry of Industry, Commerce and Tourism as a holding company under CR 114160-1. Through its owned subsidiaries, United Gulf Bank B.S.C. (closed), and FIMBank plc, the Company engages primarily in asset and fund management, investment banking, private equity, and corporate banking. Other business activities include commercial banking, proprietary investments, savings and pensions, brokerage and treasury.

The Board of Directors (BOD) of United Gulf Holding Company B.S.C. recognize the importance of good governance in promoting and strengthening the trust of their shareholders and the public. It is their firm belief that this enhances shareholder value. Members of UGH's Board of Directors, affirm their conduct in accordance with the laws of the Kingdom of Bahrain, the Code of Corporate Governance (Code) issued by the Kingdom of Bahrain's Ministry of Industry, Commerce and Tourism (MOICT), the rules of the Capital Markets Supervision Directorate (CMSD) of the Central Bank of Bahrain (CBB) and the Bahrain Bourse (BHB). In accordance with the requirements of the amended Code, the Chief Compliance Officer of the Company was appointed as the Corporate Governance Officer and registered with the Ministry.

The Board of Directors' primary responsibility encompasses overseeing the conduct of the Company's financial and corporate governance affairs and protecting the rights of the Company's stakeholders including that of minority shareholders. The ethical vision that governs their role within the Company's Corporate Governance Framework, is outlined in a series of Corporate Governance Policies and Procedures (PPMs). These were updated during 2019 to incorporate the amendments of the Code and were approved by UGH's Board of Directors in February 2019.

UGH's shares are listed on Bahrain Bourse under the category of the Investment sector (Sub-Sector: Diversified Financials). As a listed company, UGH publishes this corporate governance report that shows the extent of compliance and its explanation of non-compliance to its shareholders based on the Code's 'Comply or Explain' philosophy.' A copy of the same is available as part of the Annual Report on the Company's website www.ughbh.com. Corporate Governance principles are also followed by several of its subsidiaries. The extent of the arrangements is however subject to the requirements of the regulators of the jurisdictions in which they operate. In accordance with the Bahrain Bourse's requirements, UGH announced the opening of nomination for the membership of the Board of Directors to occupy 8 seats for a three-year period. The five Executive Directors conveyed their intention to stand for re-election to the Nominating & Remuneration Committee. With respect to independent Directors, a notice was issued by UGH on the Bahrain Bourse's website and its own website, inviting the three existing independent directors and members of the public

to submit their nomination papers. These were evaluated by the NRC during their meeting held in March 2020 using the criteria specified in the **Questionnaire for Independent Directors Policy & Procedures.** The credentials of all candidates were reviewed based on the '**Criteria for the Election / Re-election of Directors' PPM.**

Of the nine applications that were received, eight directors who were re-nominated were elected by the shareholders at the AGM. This was held on 25 March 2020 through teleconferencing due to the travel and social restrictions. Representatives of the MOICT, the Bahrain Bourse, the Central Bank of Bahrain and the audit firm Ernst & Young attended the virtual meeting in which the external auditor's report was read. The term of the elected Directors runs from 25 March 2020 to the day of the AGM that will be held in March 2023.

The shareholders of UGH attended an extra-ordinary general meeting in November 2020 in which they approved the issuance of a rights issue that resulted in up to 26,593,850 shares being offered to existing shareholders. All material facts pertaining to the UGH rights issue were disclosed in the form of an offering circular in English and Arabic that shareholders could access on the Bahrain Bourse or the Company's website. Representatives of the MOICT, the Bahrain Bourse, the Central Bank of Bahrain and Ernst & Young attended the meeting. The subscription rate for the rights issue was 98.22%. Consequently, the paid up share capital of the Company increased by 26,119,412 shares to 439,095,063 shares at a par value of $ 0.50 cents per share. The value of the total paid up share capital was hence $ 219,547,031.5 as at 31 December 2020.

2. Description of the transactions of the directors, their spouses and sons on the Company's shares:

Name	Position	Shares held Dec 2019	Total sales	Total purchases	Shares held Dec 2020
Masaud J. Hayat	Chairman	-	-	-	-
Faisal Al Ayyar	Vice Chairman	-	-	-	-
Sadoun Ali	Executive Director	-	-		-
Tariq M.Y. Abdulsalam	Executive Director	-	-	-	-
Mazen Hawwa	Executive Director	-	-	-	-
Mubarak Al Maskati	Independent Director	-	-	-	-
Bader Al Awadhi	Independent Director	-	-	-	-
Mohammed Haroon	Independent Director	5,000			5,000

3. Composition and Details of the Board and its Directors:

As per the amended tenets of the Corporate Governance Code, a non-executive director is defined as a *'member of the Board of Directors who is not fully involved in the management of the company (i.e. not an employee therein) or does not receive a monthly or annual salary, except for the remuneration for the directorship on the board of directors and committees.'*

Based on the above definition, the current Board composition is as follows:

Masaud J. Hayat –Executive Director

Chairman of the Board of Directors since 2017
Chairman of the Executive Committee
Degree in Economics, Kuwait University;
Diploma in Banking Studies, Institute of Banking Studies, Kuwait
Over 44 years of experience in the financial sector

Other Positions Held:

- Vice Chairman & Group Chief Executive Officer, Burgan Bank - Kuwait
- Chairman, United Gulf Bank B.S.C.(c) - Bahrain
- Chairman, Tunis International Bank - Tunisia
- Vice Chairman, Gulf Bank Algeria - Algeria
- Vice Chairman, Bank of Bagdad - Iraq
- Vice Chairman, FIMBank plc - Malta
- Board Member, Jordan Kuwait Bank - Jordan
- Board Member, KAMCO Investment Company KSC (Public) - Kuwait
- Board Member, North Africa Holding Company – Kuwait
- Board Member, United Gulf Financial Services - Tunisia
- Board Member, Mashare'a Al Khair Est. - Kuwait

Faisal Al Ayyar –Executive Director

Vice Chairman of the Board of Directors since 2017
Member of the Executive Committee
Member of the Board Audit Committee
Graduated as a fighter pilot with the Kuwait Air Force in the USA
Over 34 years of experience in the financial sector

Other Positions Held:

- Executive Vice Chairman, Kuwait Projects Co. (Holding) - Kuwait
- Chairman, Panther Media Group (OSN) - UAE
- Vice Chairman, Gulf Insurance Group - Kuwait
- Vice Chairman, Jordan Kuwait Bank - Jordan
- Vice Chairman, Mashare'a Al Khair Est. - Kuwait
- Vice Chairman, United Gulf Bank B.S.C (c) - Bahrain
- Vice Chairman, Saudia Dairy & Foodstuff Co. (Sadafco) - Saudi Arabia

- Board Member, Gulf Egypt for Hotels & Tourism Co. - Egypt
- Trustee, American University of Kuwait - Kuwait
- Honorary Chairman, Kuwait Association of Learning Difference - Kuwait

Sadoun Ali - Executive Director

Member of the Board of Directors since 2017
Member of the Executive Committee
BSc, Management of Financial & Accounting Services, Ashland University, USA
Diploma, Commercial Science for Banks, Public Authority for Applied Education & Training, Kuwait
Over 31 years of experience in the financial sector

Other Positions Held:

- Board Member, Burgan Bank - Kuwait
- Board Member, Bank of Baghdad – Iraq
- Vice Chairman & CEO, Qurain Petrochemical Industries Company Kuwait
- Vice Chairman, Jassim Transport & Stevedoring Co. (JTC) - Kuwait
- Board Member United Industries Company - Kuwait
- Board Member, Advanced Technology Company - Kuwait
- Chairman, Insha'a Holding - Kuwait
- Chairman, United Oil Projects Company - Kuwait
- Chairman, KAMCO Real Estate Investment Company – Bahrain

Tariq Abdul Salam - Executive Director

Member of the Board of Directors since 2017
Member of the Executive Committee
BSc, Accounting, Kuwait University
Over 32 years of experience in finance and investments

Other Positions Held:

- Board Member, United Real Estate Company - Kuwait
- Vice Chairman, North Africa Co. (Holding) - Kuwait
- Board Member, KAMCO Investment Company KSC (Public) - Kuwait
- Board Member, Jordan Kuwait Bank - Jordan
- Board Member, Qurain Petrochemical Industries Company (QPIC) – Kuwait

Mazen Hawwa - Executive Director

Member of the Board of Directors since 2017
Member of the Executive Committee
Graduate, Lebanese American University, Lebanon
Chartered Global Management Accountant, Certified Public Accountant, Certified Management Accountant
Over 23 years of experience in the financial sector MBA, HEC Paris, France

Other Positions Held:

- Chairman at Mena Homes Real Estate Company – Kuwait
- Vice Chairman & Group CEO at United Real Estate Company – Kuwait
- Vice Chairman at United Networks Company – Kuwait
- Board Member at North Africa Holding Company – Kuwait
- Board Member at SSH International Group – Kuwait
- Board Member at Insha'a Holding Company – Kuwait
- Executive Director at Assoufid – Amsterdam
- Board Member at Fajr Al Gulf Insurance Company – Lebanon

Mubarak Al Maskati – Independent Director

Member of the Board of Directors since 2018
Chairman of the Nominating & Remuneration Committee
Member of the Board Audit Committee
BSc, Political Studies and Economics, Pennsylvania State University, USA
Over 34 years of experience in the financial sector

Other Positions Held:

- Director, Royal Aviation - Kuwait
- Consultant, Amiri Diwan / Amiri Fleet Manager - Kuwait
- Independent Director, United Gulf Bank B.S.C (c) - Bahrain

Bader Al Awadhi – Independent Director,

Member of the Board of Directors since 2018
Member of the Nominating & Remuneration Committee
BSc, Industrial Engineering, University of Miami, USA
General Manager Program, Harvard Business School, USA
Program for Management Development, Harvard Business School, USA
Over 34 years of experience in the financial sector

Other Positions Held:

- Director, Member of the Board Corporate Governance Committee and Member of the Board Audit Committee, Tunis International Bank – Tunisia
- Independent Director, Assoufid BV – Netherlands
- Board Member, Manar Interholdings SL - Spain
- Independent Director – United Gulf Bank B.S.C (c) - Bahrain

Mohamed Haroon – Independent Director,

Member of the Board of Directors since 2018
Chairman of the Board Audit Committee
Member of the Nominating & Remuneration Committee
Over 50 years of experience in the financial sector
BSc (Hons), Peshawar University, Pakistan

Diploma in Banking, Pakistan

Other Positions Held:

- Chairman & CEO – Haroon Holding Company WLL , Bahrain.
- Independent Director - United Gulf Bank B.S.C. (c), Bahrain.

The list of the Board of Directors and their respective profiles are also available in the Annual Report of the Company and the website https://www.ughbh.com/board-of-directors.

The regulatory requirements mandate that at least half of a company's board should be non-executive directors and at least three of those persons should be independent directors. There is however an exception granted for firms with a controller which states that in companies with a controlling shareholder, at least one-third of the Board must be independent directors. UGH's Board members met this condition during the year ended 2020, as three out of eight directors met the criteria of independence.

The Board has approved a separate policy called **'Annual / Extraordinary General Assembly Meetings Procedures.'** In accordance with the Commercial Companies Law, voting takes place on a cumulative basis. A cumulative vote implies that each shareholder shall have a number of votes equal to the number of shares he holds and shall have the right to vote for one candidate or to distribute them to his chosen candidates if the resolution concerns the election or dismissal of a member of the Board of Directors or filing an action against him, or when the Chairman of the Board or a number of shareholders representing at least one tenth of the number of votes present at the Meeting, request voting.

The Chairman of the Board / person chairing the AGM is required to confirm to shareholders when proposing a re-election of a director that, following a formal performance evaluation, the person's performance continues to be effective and continues to demonstrate commitment to the role. This was done at the AGM held in March 2020.

UGH's Board of Directors have approved the **Directors' Induction Policy** that requires each new Director to receive a formal and tailored induction with respect to the Company's vision, strategic direction, and core values including ethics, corporate governance practices, financial matters and business operations. The familiarisation is aimed at ensuring that the new Director meets with Senior Management of the Company, and that he/she is provided with the necessary documents, brochures, reports and internal policies. It is also in line with the Code's requirement that the Board of Directors should be effective and informed. The **Charter of the Nominating & Remuneration Committee** states that the Nominating & Remuneration Committee is responsible for the preparation of induction materials and orientation sessions for new Directors, in consultation with senior management and with the Board Secretary. Appointment letters were issued to all the directors following their re-election in March 2021. UGH's Board of Directors also approved the **Access to Professional Advice Policy** which gives individual directors, access to independent legal or other professional advice at the Company's expense.

The Company has a separate **Code of Conduct that** encompasses the criteria and determinants of professional conduct and ethical values. The Board of Directors have also approved a **Disclosure of Conflict of Interest Policy** that requires members to make every effort to arrange their matters

such that they avoid personal interest in any transactions with UGH's management or its operations. A Director is deemed to have a personal interest if he or any member of his family has a material financial interest in any transaction that is entered to with the Company.

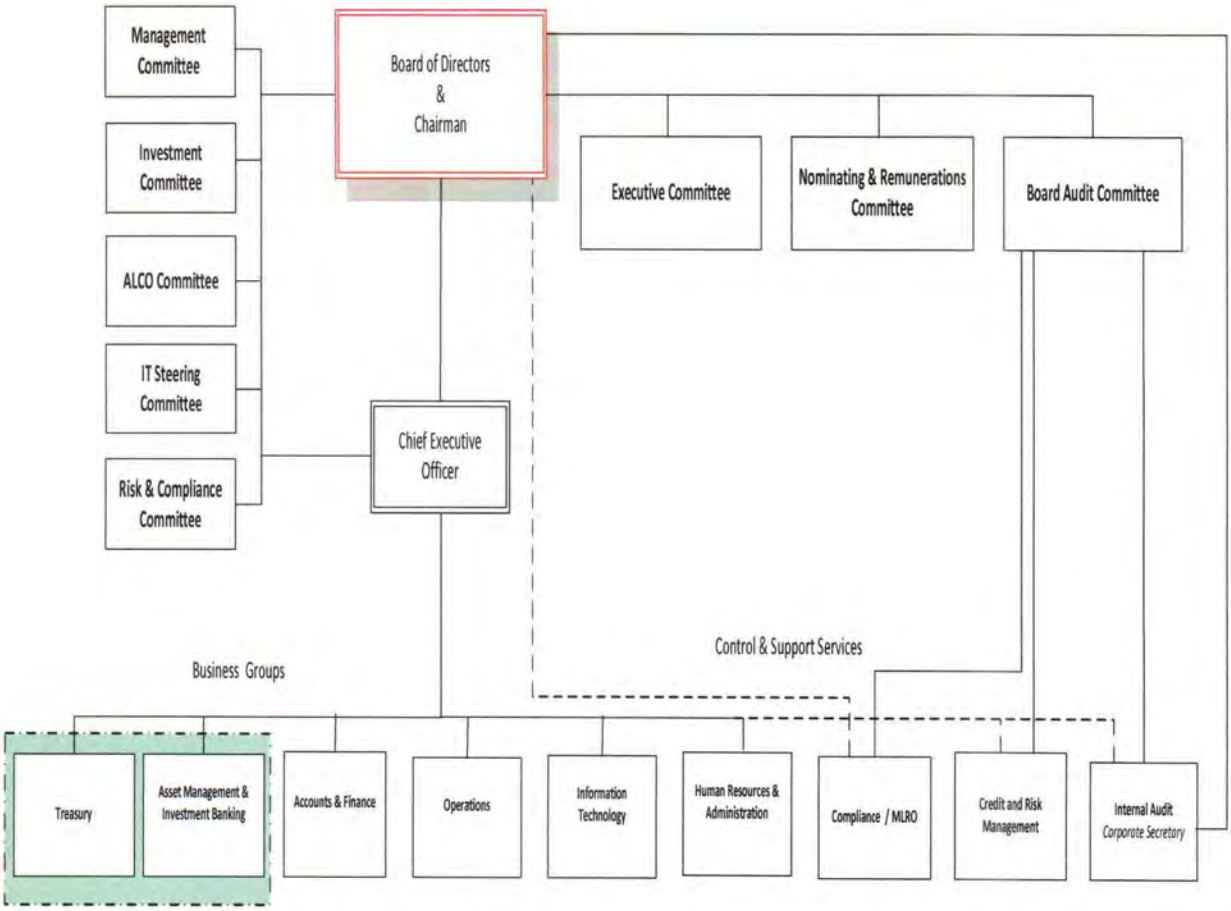
UGH's Corporate Secretary ensures that all decisions involving transactions where Directors/ employees have disclosed material conflicts of interest, are formally and unanimously approved by the entire Board of Directors (excluding the conflicted Directors). There were no such instances in 2020 that involved a member having to abstain from voting on Board matters due to disclosing a conflict of interest.

The Board, its Committees and individual directors are evaluated for their effectiveness and contribution on an annual basis. This is in accordance with the **Evaluation Methodology** that has been approved by the Board of Directors. The annual evaluations of the Board, its individual directors and its committees are reviewed by the NRC. No abstentions or declarations of dissent concerns of the running of UGH, proposed actions or conflicts of Interest, were received by the Chairman or the Corporate Secretary during the year ended 2020.

4. Details of Management

UGH signed a **Service Level Agreement** with its primary subsidiary United Gulf Bank B.S.C. (c) (UGB) on 24 August 2017. Under the terms of the service level agreement, the scope of services provided by UGB to UGH encompasses the Financial Control, Risk Management, Internal Audit, Corporate Governance, Anti Money Laundering, Compliance, Information Technology, Operations, Administration, Treasury, Investment Banking, Personnel and any other services as deemed necessary. The delegation of limits and the **Payment Authority Matrix** of UGB hence apply to UGH as well.

The Company's organizational structure as at 31 December 2020 is illustrated in the figure below. The Compliance, Credit & Risk Management and Internal Audit Functions report directly to the BAC.



Under the terms of the Service Level Agreement, the employees of UGB undertake and perform the above mentioned services for UGH on an on-going basis. The Bank provides at its own cost, all staff, facilities, premises, systems, data, information and equipment to facilitate the operations of the Company in lieu of a fee received from the latter. The Board of UGH however has the prerogative to remunerate certain executives of UGB, as agreed between the Bank and the Company.

The list of Senior Management and their respective profiles are available in the Annual Report of the Company and the website https://www.ughbh.com/executive-management/. Details of the movement of UGH shares held by Senior Management as at December 2020 were as follows:

Name	Position	Shares held Dec 2019	Total sales	Total purchases	Shares held Dec 2020
Hussain Lalani	Chief Executive Officer	67	-	-	67
Mohammed Al Qumaish	Chief Audit Executive & Corporate Secretary	-	-	-	-
Deepa Chandrasekhar	Senior Vice President, Chief Compliance Officer & MLRO	-	-		-
Rehan Ashraf	Senior Vice President, Chief Financial Officer	-	-	-	-
Adel Al Arab	Senior Vice President, Head of Operations	-	-	-	-
Nirmal Parik	Vice President, Head of Asset Management & Investment Banking	-	-	-	-
Abbas Al Tooq	Assistant Vice President, Head of Credit & Risk Management	-	-	-	-
Hussain Khalil	Vice President, Head of Treasury				
Aggregate		67			67

5. Remuneration Details:

Remuneration of Directors:

	Year ended 2019	Year ended 2020
Aggregate	--	-

No separate remuneration was paid to the Board of Directors of UGH. There were also no sitting fees that were paid separately for the attendance of the Directors EXCO, BAC or NRC meetings conducted during 2020. None of the independent directors received any performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

Remuneration of Management:

	Year ended 2019	Year ended 2020
Aggregate	300,788	-

In line with the Service Level Agreement signed between UGB and UGH on 23 August 2017, the CEO, CFO, Corporate Secretary, the Chief Audit Executive and other officers of UGB including the AML, risk management and shareholders/investor relations functions perform their corresponding roles for UGH. In the event it is deemed appropriate to pay certain UGB officers a one-off compensation in lieu of the additional critical responsibilities undertaken by them on behalf of UGH, such compensation is approved by the NRC and disclosed in the corporate governance report. As of the date of this report, no payment was made to any UGB employee for work undertaken during 2020. The compensation paid to certain members of the executive team for work undertaken by them in 2019 related to the Company was USD 300,788.

None of the members received any performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

Each listed company is expected to have a succession plan. As the staff of UGB assume the same responsibilities for UGH, a detailed succession plan documenting the skills, career paths and short and long term backups for each function is presented to the NRC of UGB on an annual basis. The scope of the plan covers both UGB and UGH.

6. Details of the Responsibilities of the Board, its Committees and its Meetings:

The Board of Directors is the collegial, deliberative apex body constituted by the shareholders for the overall supervision and governance of the Company. The Board mandate is to approve, assess and evaluates the strategic direction of the Company, management policies and their effectiveness such that the long-term interests of the shareholder is being served. Each director brings his independent judgement while taking decisions.

The Board's arrangements for election, termination and duties and responsibilities are enumerated in detail in the **Charter of the Board of Directors**.

The Board's role and responsibilities include but are not limited to :

1. Adopting the commercial and financial policies associated with UGH's business performance and achievement of its objectives.
2. Drawing, overseeing and periodically reviewing UGH's plans, policies, strategies and key objectives.
3. Setting and generally supervising the regulations and systems of UGH's internal control.
4. Determining UGH's optimal capital structure, strategies, financial objectives and approving annual budgets.
5. Monitoring UGH's major capital expenditures, and possessing and disposing assets.
6. Approving UGH's quarterly and annual financial statements and presenting them to the general assembly.
7. Monitoring the executive management's activities, and ensuring that the operations run smoothly to achieve UGH's objectives.
8. Forming specialized committees emerging from the BoD as required by the nature of the company's activity as provided in the regulatory requirements, and issuing the regulations of these committees.
9. Determining the types of remuneration for senior executives and directors, subject to the approval of the shareholders' general assembly, taking into consideration the provision of Article (188) of the Commercial Companies Law.
10. Setting a mechanism to regulate transactions with related parties in order to minimize conflicts of interest.
11. Setting standards and values governing UGH's business.
12. Ensuring the application of an appropriate control and risk management systems by setting framework of the risks that the company might face, creating an environment that is aware

of risk management knowledge at the company level, and transparently presenting it to company's related parties and stakeholders.

13. Assuring equitable treatment of shareholders, including the minority shareholders.

14. Setting internal regulations which determine the Board's duties and responsibilities, including the obligations and responsibilities of the directors, which the Board shall not be exempt therefrom even if it forms committees or delegates certain duties to other bodies or individuals. The BoD shall avoid issuance of general authorizations or authorizations with an unlimited duration.

15. Ensuring compliance with the relevant rules and requirements relating to the issuing and offering of securities;

16. Complying with the company's founding documentation, including but not limited to its Memorandum and Articles of Association and other relevant by-laws and resolutions;

17. Ensuring that any loans provided by the company are approved by the board in accordance with their authority for such items, including the respective limits and other relevant terms.

18. Providing approval in respect of the relevant fees, charges, subscriptions, commissions and other business and administrative sanctions, where relevant.

19. Ongoing obligations in respect of the listing requirements, including but not limited to issues relating to disclosure, dissemination of price sensitive information and other communication, and the prevention of market abuse and insider trading;

The responsibilities assigned to Board members are in line with the spirit of the care and loyalty expected from them vis a vis the Company and its shareholders. The need for all directors and officers to have full loyalty to the company is also mentioned in the appointment letters given to the Directors. It should also be noted that each of the Directors and Officers of the company has signed an undertaking with the Bahrain Bourse, agreeing to abide by their regulations as well. The Charter was originally approved in December 2017 and was updated to incorporate changes made by the MOICT to the Corporate Governance Code and Module HC (higher Level Controls) of the CBB's rulebook. The reviewed document and the **Corporate Governance Guidelines** were approved by the Board of Directors at their meeting held in February 2019. A copy of this is available in the Company's website www.ughbh.com.

The Board has approved three standing Committees – namely, the **Executive Committee, the Board Audit Committee and the Nominating & Remuneration Committee.** Each of these has its own charter that outlines the responsibilities of its members. The Board is authorised to constitute additional functional Committees from time to time, depending on the business needs. The hierarchy of the committees is illustrated below:

The board or the standing committee may invite non directors to participate in a committee's meetings, so that the committee may gain the benefit of their advice and expertise in financial or other subject areas.

Due to the social distancing and physical restrictions on travel caused by the Covid 19 pandemic, the CBB exempted all listed companies from having to publish their financial results for the quarter ended March 2020. There was hence no Board meeting held in May 2020. All of UGH's **Board of Directors** attended the four Board meetings that were held during 2020. Details of these are given in the table below.

Attendance in 2020	26 Feb	18 Mar	13 Aug	15 Nov
Masaud J. Hayat, Chairman	x	x	x	x
Faisal Al Ayyar, Vice Chairman	x	x	x	x
Sadoun Ali	x	x	x	x
Tariq M.Y.Abdulsalam	x	x	x	x
Mazen Hawwa	x	x	x	x
Mubarak Al Maskati	x	x	x	x
Bader Al Awadhi	x	x	x	x
Mohammed Haroon	x	x	x	x

In addition to these meetings, Board resolutions were passed by written consent on 26 March, 9 June, 25 June, respectively. All Directors receive the agenda, minutes of prior meetings, and adequate background information in writing before the Board meeting, and whenever necessary

between meetings.

Article 18.6 of UGH's Articles of Association permit meetings of the Board of Directors to be held abroad and/or conducted by telephone or through video conferencing or other approved modes of real-time communication provided that at least one-half of the Board meetings in any financial year are held in the Kingdom of Bahrain. Due to the social distancing and travel restrictions imposed due to COVID 19, the majority of the meetings held in 2019 were 'virtual.'

Detailed minutes of the meetings of the Board of Directors are kept by the Corporate Secretary. During the year ended 2020, there were no decisions where there were any reservations or objections voiced by any individual or a group of directors.

7. Executive Committee:

Composition: UGH's Executive Committee was constituted on 28 March 2018 and comprises **five Executive Directors** as its members. Executive Committee Resolutions are passed through circulation as and when warranted.

Responsibilities: The EC is delegated authority by the Board to take decisions in the interim periods between Board Meetings, and by circulation when a full meeting of the Board is not possible. The EC is also empowered by the Board to act on its behalf, if an immediate decision is required on any matters falling outside the authority of Management. The basic responsibility of the EC is to consider and approve/amend the overall impact of the policy recommended by the CEO in the key areas of strategy planning, investment and asset and liability management.

Resolutions:
During 2020, eight resolutions were passed by the EC, details of these are given in the table below.

Attendance in 2020	7-Jun	1-Dec	27-Dec	27-Dec	31-Dec	31-Dec	31-Dec	31-Dec
Masaud J. Hayat	x	x	x	x	x	x	x	x
Faisal Al Ayyar	x	x	x	x	x	x	x	x
Sadoun A. H. Ali	x	x	x	x	x	x	x	x
Tariq M. Y. Abdulsalam	x	x	x	x	x	x	x	x
Mazen Hawwa	x	x	x	x	x	x	x	x

8. Audit Committee:

Composition: UGH's Board Audit Committee (BAC) was constituted on 28 March 2018 after the appointment of the independent directors. It comprises one executive director (Mr. Faisal Al Ayyar) and two independent directors (Mr. Mohammed Haroon - Chairman and Mr. Mubarak Al Maskati). The Chairman of the BAC is an independent director. All members are financially literate and have sufficient technical expertise and exposure to the financial industry that enable them to discharge their responsibilities cited below.

Responsibilities : The BAC assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of UGH, supervising the internal and external auditors and the Bank's compliance with the legal and regulatory requirements. Its main functions as enumerated in **its Charter** which was last approved by the Board of Directors, encompasses:

- the quality and integrity of financial reporting and the audit thereof;
- the recommendation for the appointment, compensation and oversight of the Company's external auditor;
- the recommendation for the appointment of the internal auditor;
- the soundness of internal controls of the Company;
- the measurement system of risk assessment and relating these to UGH's capital;
- the methods for monitoring compliance with laws, regulations and supervisory and internal policies;
- the business practices and ethical standards of the company including the implementation of a whistleblowing policy

Meetings : The mandate of the BAC is to meet at least four times a year and have two meetings with the external auditors. During the year 2020, the Board Audit Committee met five times; the attendance on these was as follows:

Attendance in 2020	26 Feb	3 Mar	12 Aug	6 Oct	10 Nov
Mohammed Haroon, Chairman, Independent Director	x	x	x	x	x
Faisal Al Ayyar , Executive Director	x	x	x	x	x
Mubarak Al Maskati. Independent Director	x	x	x	x	x

Only one BAC meeting that was held with the external auditors – Ernst & Young; this was scheduled on 6 October 2020. No significant issues were noted.

9. Nomination and Remuneration Committee (NRC):

Composition: As permitted by the CBB rulebook, the Nominating Committee of UGH has been combined with the Remuneration Committee. It is also in charge of corporate governance. No conflict of interest has been perceived between the duties of such committees. UGH's Nominating & Remuneration Committee (NRC) was hence constituted on 28 March 2018 after the appointment of the independent directors. It comprises three independent directors - (Mr. Mubarak Al Maskati – Chairman, Mr. Bader Al Awadhi and Mr. Mohammed Haroon). The Chairman of the NRC is an independent director.

In accordance with the rules of the Bahrain Bourse, the invitation for members of the public to submit their applications to be considered for Board nomination, was published on the Bourse and the UGH website on 11 February 2020. At their meeting held on 17 March 2020, the NRC reviewed all applications / nominations of the Board of Directors and their individual criteria evaluation forms prior to making their recommendation to the Board of Directors on the eligibility of candidates. The results were posted on the Bourse's website on 17 March 2020 after the NRC had evaluated all applications.

The Board confirmed to the Shareholders at the AGM held on 25 March 2020 of having received a recommendation from the members of UGH's NRC for the election / re-election of members to the BOD. The NRC reviewed the Application for Approved Person Status that was submitted by all persons who indicated their intention to stand for election/ re-election. Each individual's skills were evaluated against the Criteria for Election of the BOD template, that was approved by the Board of Directors. It was affirmed that each Director's performance was judged satisfactory. The members were subsequently appointed by the shareholders at the AGM.

Responsibilities: The NRC assists the Board in assessing the skill sets of Board members and ensures that there is an appropriate mix of eminent persons having an independent standing in their respective field/profession and who can effectively contribute to UGB's business and policy decisions. It oversees the appointment, training and evaluation of the Board. Its main functions as enumerated in **its Charter** which was last approved by the Board of Directors, encompasses:

- Oversee the Corporate Governance processes of the Company
- Nominate the persons eligible for directorship or chief executive officer, chief financial officer or secretary position, except for the internal auditor who is nominated by the audit committee.
- Make recommendations to the Directors of the Board from time to time regarding changes that the committee believes are desirable to the size of the Board or any committee of the Board.
- Review the preparation of appropriate nomination documents and notifications of candidates for Directorships. This includes ensuring that appropriate appointment documents, regulatory approvals and notifications are made on new directors.
- Supervise the evaluation process of the Board, the Directors and the Committees.
- Review the independence of Directors
- Recommend/ review the remuneration of the Board of Directors and certain senior executives, if it decides to compensate them for the additional responsibilities which they undertake on behalf of the company. Senior Management (if applicable).

Meetings : UGH's Nominating and Remuneration Committee (NRC) was constituted on 28 March 2018 after the **three independent Directors** were appointed to the Board at the AGM. The mandate of the NRC is to meet at least twice a year

During 2020, the NRC met twice as follows:

Attendance in 2020	20 Feb	17 Mar
Mubarak Al Maskati Chairman	x	x
Bader Al Awadi	x	x
Mohammed Haroon	x	x

No significant issues were noted.

10. Governance Committee:

The NRC is responsible for the supervision of corporate governance activities and the adherence to the tenets of the MOICT's Code of Corporate Governance. During the year ended 2020, the NRC completed the following activities related to the oversight of corporate governance.

- Review of all applications / nominations of the Board of Directors prior to making their recommendation to the Board of Directors on the eligibility of candidates.
- Review of Disclosure of Interest and other Directorships held by the Board of Directors.
- Review of Directors' annual affirmation of adherence to the **Code of Conduct** and Independent Directors' annual affirmation of independence. All the Directors signed this for the year ended 2020.
- Review of the annual evaluation of the Board, Committees and Individual Directors.
- Review of membership and structure of Board committees.
- Review of Key Persons' Trading for the year 2020
- Review the implementation status of the MOICT Corporate Governance Code.
- Review of Corporate Governance Policies.
- Review of Directorships representing UGH on the Boards of other companies.
- Review of Directorships representing UGH on the Boards of other companies.
- This Corporate Governance Report – for the year ended 2020.

11. Corporate governance officer's name, qualifications, date of appointment, and contact details.

In accordance with the requirements of the MOICT's directives, the Board of Directors of UGH ratified the decision of the Chairman to appoint the Chief Compliance Officer and MLRO of the Company as the Corporate Governance Officer. This was done at their meeting held on 14 May 2018. The Corporate Governance Officer's details are given below:

Name	**Deepanjali Chandrasekhar**
Nationality	Canadian
Qualifications	• Masters of Business Administration (MBA) – University of Alberta, Canada • Fellow of the International Compliance Association – UK • Certified Anti-Money Laundering Specialist – Financial Crime (CAMS – FCI and CAMS) – USA • Certified Fraud Examiner (CFE) – USA • Chartered Member of the Chartered Institute of Securities and Investment - UK
Date of Appointment	14 May 2018
Contact Details	Ph: +973 17 520186 Fax: +973 17 533137 Email: dchandrasekhar@ugbbah.com

12. Details of Transactions with related parties (stakeholders):

Related parties represent the parent, associates and directors and key management personnel and entities which are controlled, jointly controlled or significantly influenced by any of the above mentioned parties. The following disclosure was made in Note 31 of the UGH Financial Statements for the year ended 2020.

RELATED PARTY TRANSACTIONS

The income and expenses in respect of related parties transactions during the year and included in the consolidated financial statements are as follows:

	2030		
	Major shareholder US$ 000	***Major shareholder***	***Other related parties US$ 000***
Investment income	-	-	**407**
Fees and commissions - net	**8,935**	**25,594**	**1,125**
Dividend income	-	**8**	**294**
Rental income	**2,210**	**(430)**	-
Interest income	**411**	**584**	**2,440**
Interest expense	**(735)**	**(20,493)**	**(6,260)**
Others	**216**	**37**	**(1,919)**

Owner	Account Name	Nature of related party transaction	Balance
FIMBank	Gulf Dth Fz Llc	Interest income	1,073
FIMBank	Others (Individually below US$ 1 million)	Net income (expenses)	642
KAMCO	KIPCO	Fees and commissions - net	8,940

KAMCO	Kamco Investment Fund	Fees and commissions - net	2,000
KAMCO	Burgan Bank	Fees and commissions - net	1,234
KAMCO	Gulf Insurance Group	Staff insurance	(1,019)
KAMCO	Others (Individually below US$ 1 million)	Net income (expenses)	(799)
UGB	KIPCO	Rental income	1,478
UGB	Panther Media Group	Interest income	1,040
UGB	Bank Of Baghdad	Interest expense	(3,088)
UGB	Others (Individually below US$ 1 million)	Net income (expenses)	499
UGH	Burgan Bank	Fees and commissions - net	22,946
UGH	Burgan Bank	Interest expense	(20,054)
UGH	Jordan Kuwait Bank	Interest expense	(2,520)
UGH	Others (Individually below US$ 1 million)	Net income (expenses)	52

The year-end balances in respect of related parties included in the consolidated financial statements are as follows:

	2020		
	Parent US$ 000	*Associates US$ 000*	*Other related parties US$ 000*
Demand and call deposits with banks	-	4,562	270
Placements with banks	-	-	28,370
Investments at FVTPL	-	2,052	-
Investments at FVOCI	-	4,186	156,696
Investments carried at amortised cost	9,910	-	-
Loans and receivables	-	9,533	48,271
Other assets	4,536	25,436	1,965
Due to banks and other financial institutions	-	(13,097)	(82,538)
Deposits from customers	(41,409)	(609)	(6,992)
Loans payable	-	(461,812)	(53,900)
Other liabilities	(39)	(5,168)	(3,770)
Perpetual Tier 1 Capital	-	-	(10,000)
Off statement of financial position items:			
Letters of guarantee	-	-	150

A detailed analysis of the balances with respect to the related party transactions is provided below.

Owner	Account Name	Nature of related party transaction	Balance
FIMBank	Gulf Dth Fz Llc	Loans and receivables	40,738
FIMBank	KIPCO	Investments carried at amortised cost	9,910
FIMBank	Brasilfactors S.A.	Loans and receivables	7,024
FIMBank	Tunis International Bank	Due to banks and other financial institutions	4,493
FIMBank	KIPCO	Deposits from customers	(41,373)
FIMBank	Burgan Bank	Due to banks and other financial institutions	(2,500)
FIMBank	Staff	Deposits from customers	(1,834)
FIMBank	Others (Individually below US$ 1 million)	Net of assets and liabilities	(278)
KAMCO	KAMCO Real Estate Yield Fund	Other assets	6,279
KAMCO	KIPCO	Other assets	4,275
KAMCO	North Africa Holding Company	Investments at FVOCI	3,381
KAMCO	Al Sharq Financial Brokerage	Investments at FVOCI	2,988
KAMCO	United Tower Hold Co	Investments at FVOCI	2,303
KAMCO	Burgan Bank	Investments at FVTPL	2,052
KAMCO	Burgan Bank	Demand and call deposits with banks	1,610
KAMCO	Others (Individually below US$ 1 million)	Net of assets and liabilities	2,615
UGB	Tunis International Bank	Placements with banks	28,370
UGB	Advanced Technology Company	Investments at FVOCI	27,808
UGB	United Networks Company	Investments at FVOCI	10,534

UGB	Tunis International Bank	Investments at FVOCI	6,063
UGB	Staff	Loans and receivables	3,961
UGB	Sacem	Loans and receivables	3,563
UGB	Burgan Bank	Demand and call deposits with banks	2,048
UGB	Bank Of Baghdad	Due to banks and other financial institutions	(62,117)
UGB	Tunis International Bank	Due to banks and other financial institutions	(24,914)
UGB	Syria Gulf Bank	Due to banks and other financial institutions	(10,596)
UGB	Gulf Insurance Group	Perpetual Tier 1 Capital	(5,000)
UGB	Tunis International Bank	Perpetual Tier 1 Capital	(5,000)
UGB	Takhatob	Deposits from customers	(1,892)
UGB	Management	Other liabilities	(1,457)
UGB	Al Futtooh Holding	Other liabilities	(1,425)
UGB	Al Futtooh Holding	Deposits from customers	(1,394)
UGB	Others (Individually below US$ 1 million)	Net of assets and liabilities	(1,026)
UGH	Panther Media Group	Investments at FVOCI	103,731
UGH	Burgan Bank	Other assets	17,966
UGH	United Real Estate Co.	Loans and receivables	2,510
UGH	United Industries Co	Investments at FVOCI	2,064
UGH	Burgan Bank	Loans payable	(461,812)
UGH	Jordan Kuwait Bank	Loans payable	(53,900)
UGH	Burgan Bank	Other liabilities	(5,149)

UGH	Others (Individually below US$ 1 million)	Net of assets and liabilities	1,990

It is noted that the Code of Corporate Governance requires all transactions between UGH and related parties to be approved by the Board of Directors prior to implementation. As this is not practically feasible, a report at the end of each year on all related party transactions is presented to the Board Audit Committee which approves them on a post facto basis. In accordance with Article 189 of the Commercial Companies Law, the external auditor will issue an agreed upon procedures assurance report that confirms that all such transactions conducted during 2020 were done on an arm's length basis and are performing assets. This will be submitted to the shareholders at the Annual General Meeting of Shareholders scheduled for March 2021.

All related party exposures are performing and are free of any provision for possible credit losses.

13. External Auditors:

The external auditor of UGH is Ernst & Young (EY). EY is a global leader in assurance, tax, transaction and advisory services and is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). EYG member firms are grouped into four geographic Areas: Americas; Asia-Pacific; Europe, Middle East, India and Africa (EMEIA); and Japan.

EY Bahrain is a specialised Partnership Company and is part of the Middle East & North Africa ("MENA") Region. It is the largest professional services firm in the country with an operational experience of more than 8 decades. Since then, it has worked extensively with major industrial segments, including banks and financial institutions, investment companies, broking and insurance clients in Bahrain and the MENA region. The audit firm has over 300 professionals in Bahrain and various specialists' teams spread across the regions operating as one seamless firm globally.

Following the decision of the shareholders at the constituent general assembly of UGH held in August 2017, Ernst & Young was appointed as the external auditor. The firm was re-appointed at the AGM held in March 2020 after receiving the Central Bank of Bahrain's approval for the same. EY have reviewed this CG report, the related parties report, and other internal control processes and procedures as part of their audit.

The Fees and charges for the audit and non audit service provided by the external auditor from an accounting perspective during the year ended 2020, are provided in the following table.

Name of the audit firm	**Ernst & Young**
Years of service as the Company's external auditor	3.5 years
Name of the partner in charge of the Company's audit	Kazim Merchant
The partner's years of service as the partner in charge of the Company's audit	2 years
Total audit fees for the financial statements for the year 2020 (USD)	$ 189,655
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2020 (USD) if any. In the absence of such fees, this shall be expressly stated	$ 40,868
Aggregate fees paid to Ernst & Young (excluding VAT)	**$ 230,523**

14. Details of any irregularities committed during the financial year:

Nil

15. Description of the contributions made by UGH for community development

UGH's contributions to community development are routed through its primary subsidiary UGB. The Bank has long been active in a wide range of socially responsible activities including corporate philanthropy. This philosophy was reiterated when the Bank pledged its support with a contribution of USD 250,000 towards the 'Feena Khair' Campaign that was launched by HM the King's Representative for Humanitarian Work and Youth Affairs, National Security Advisor and Royal Humanitarian Foundation Board of Trustees' Chairman HH Shaikh Nasser bin Hamad Al-Khalifa. The charity drive provided vital relief and rehabilitation measures to support the needy who had been impacted by the Covid 19 pandemic.

During 2020, aggregate donations of $ 307,744 - details of these are given below:

Recipients	Amount USD
Charitable and Community Welfare Activities	269,098
Culture - Islamic Institutions	26,525
Sports & Training	6,631
Health	5,490
Aggregate	**307,744**

16. Breakdown of Ownership

UGH has signed a share registrar agreement with Bahrain Clear, a subsidiary of the Bahrain Bourse that maintains shareholder records and handles the transfer of shares. Information obtained from Bahrain Clear indicate the following:

a. The breakdown of shareholders' equity as at 31 December 2020 is indicated below:

#	Shareholder classification	Shareholding %						
		Individuals	%	Corporate	%	Government or Organizations	Total	%
1	Local	1,126	0.72	16	9.75	0	**1,142**	**10.47**
2	GCC	623	0.67	13	88.84	0	**636**	**89.51**
3	Foreign	5	0.02	1	-	0	**6**	**0.02**
4	**Total**	**1,754**	**1.41**	**30**	**98.58**	**0**	**1,784**	**100.00**

Source : Bahrain Clear

b. Major Shareholders:

The following are the names and nationalities of the major shareholders and the number of equity shares held, that exceed 5% of the Company's capital.

#	Name	Number of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Kuwait Projects Company (Holding) – K.P.S.C. Kuwait	343,627,912	78.26%	Ruling Family of Kuwait members
2	Overland Real Estate Co.	42,805,441	9.75%	KIPCO
3	Burgan Bank K.S.C.P	43,522,357	9.91%	KIPCO
Total KIPCO Group		**429,955,710**	**97.92%**	

Source : Bahrain Bourse

On a consolidated basis, the KIPCO Group owns approximately 97.9% of the Company's outstanding shares. No government or sovereign funds hold any shares of UGH.

c. Ownership Categories:

Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
<50,000	1,757	3,601,447	0.82
50,000 to 500,000	22	3,156,915	0.72
500,000 to 5,000,000	2	1,390,091	0.32
>5,000,000	3	430,945,610	98.14
Total	**1,784**	**439,094,063**	**100.00**

The share registry of UGH is maintained by Bahrain Clear (a subsidiary of the Bahrain Bourse), with whom the company has an electronic registry agreement. They maintain the shareholders' register that records the names of shareholders, their nationalities, the number of shares that they hold and any transactions that they make. The contact details are as follows:

Bahrain Clear B.S.C. (c)
PO Box 3203,
Manama, Kingdom of Bahrain
Tel : +97317108833
Fax: +973 17228061
info@bahrainclear.com
www.bahrainclear.com

d. Description of the significant events that occurred during the year 2020.

The Board of UGH invited all existing Shareholders registered in the Company's Ordinary Share Register with Bahrain Clear as at 24 November 2020 (Record Date) to apply to subscribe for up to 26,593,850 Ordinary Shares at an Issue Price of USD 2.63 for each Ordinary Share with a Nominal Value of USD 0.50 per Ordinary Share based on a rights privileged subscription. The Offering was open between 25 November, 2020 and 9 December, 2020 and was subscribed by 98.22%. 26,119,412 shares were subsequently issued whereby the paid up capital was increased as follows:

Previous Total Number of issued and fully paid shares	412,974,651
New Total Number of issued and fully paid shares	439,094,063
Previous Total Issued and fully Paid up Capital	USD 206,487,325.50
New Total Issued and fully Paid up Capital	**USD 219,547,031.50**

17. Other Matters:

17.1. Disclosure and Transparency Policy

As a publicly listed company, UGH is aware of the importance of communicating with its minority shareholders and its controllers. All shareholders are treated equally and have the same voting rights. Relevant information and material information to shareholders is disseminated promptly through the Bahrain Bourse' website and the Company's website. This includes invitations to the general assembly meetings. In order to facilitate shareholders who are unable to attend the AGM, proxy forms are available on the Company's website. This gives them the opportunity to participate in the general assembly meetings. Votes cast by custodians or nominees must be given in a manner agreed upon with the beneficial owner of the shares i.e. the person who authorized the proxy. Other rights of the shareholders and the process of holding a general assembly meeting is documented in the **Annual / Extraordinary General Assembly Meetings Procedure**s.

The Company has a Disclosure Policy that reiterates its commitment to disclose all relevant information to stakeholders on a timely basis and emphasises:

- Adequate documentation and definition of the key components of UGH's disclosure controls and procedures and the standards to which they are designed and implemented.
- Information with respect to the steps that UGH will take when it has material information to release to the public.
- Approval of the limited group of authorised spokespersons who are entitled to speak on behalf of the Company when material information may be disclosed.
- Adequate awareness for Directors and officers of UGH for understanding the disclosure practices and policies.

17.2. Means of Communication

- Annual and Quarterly Results: In accordance with the CBB's Disclosure Standards, the financial results of UGH are published in an English newspaper and an Arabic Newspaper and are in line with International Financial Reporting Standards. They include the balance sheet, income statement, cash flow statement and changes in shareholders' equity. The complete set of financial statements in English and Arabic including the name of the external auditor, the external auditor's signature date and the signature of the Chairman, Vice Chairman and CEO are also available on the Bahrain Bourse's website and the Company's website www.ughbh.com. Note 1 of the Financial Statements discloses the date of Board Approval and also reiterates their responsibility with regard to the preparation The CEO and CFO certify to the Board of Directors that to the best of their knowledge, the financial statements present a true and fair view in all material respects of UGH's financial condition and results of operations, in accordance with applicable accounting and financial reporting standards.
- News Releases, Presentations, etc. : Official news releases, detailed presentations made to the shareholders etc. are available on the Company's website www.ughbh.com, after they have

been released to the CBB and the Bahrain Bourse. The external auditor's signature and date, as well as the Board's approval date, are disclosed either in the financial statements or through press releases.

- Website : The Company maintains a website www.ughbh.com which contains information related to its profile. It also has an investor relations section along with financial information including the Annual Report which has the Management Discussion and Analysis that identifies and comments on principal risks and uncertainties faced by the business.

- Copies of the **Dispute Resolution Policy** and the **Whistleblowing Policy**, are available on the Company's website. There is also a whistleblowing form alongside procedures to highlight complaints and wrongdoing.

  There is a separate section on the website (under Investor Relations) where the bank posts relevant shareholders' information eg. AGM agenda, proxies etc.). The bank has an email (info@ughbh.com) which is already in place to allow shareholders to obtain the above information — shareholders who require more such information, can always raise their queries using this email address. In accordance with the CBB's disclosure standards, all agendas, notices of meetings and proxies are reviewed and approved by the CMSD before they are published or loaded onto the Company's website. This ensures that the standards are met.

18. Compliance with the provisions of the Corporate Governance Code:

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.		X		UGH has an experienced Board of Directors comprising eight members. The Code requires the Chairman of the Board of Directors to be an independent Director. The current Chairman - Mr. Masaud J. Hayat is an Executive Director. He has been associated with UGH's Parent - KIPCO and with the company's primary subsidiary - UGB, for the past 31 years. He has a thorough understanding of the Bank, the Company, its history, its functioning style and its operations. He represents the interests of the Company's main controller - KIPCO.
Principle 2: The directors and executive management shall have full loyalty to the company.			X	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			X	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			X	
Principle 5: The Company shall remunerate directors and senior officers			X	

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.			x	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			X	
Principle 8: The Company shall disclose its corporate governance.			X	
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a. *	NA	NA	NA	NA
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			X	The Code requires the BAC to meet with external auditors at least twice a year. During the year ended 2020, the BAC met with the external auditor Ernst & Young only once on 6 October 2020
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			X	

* Applicable only to the companies offering Islamic services.

Any disclosures required by the regulatory authorities. Nil

Name	Hussain Lalani	Deepa Chandrasekhar
Position	Chief Executive Officer	Corporate Governance Officer
Date	8 March 2021	8 March 2021
Official Seal of the Company	شركة الخليج المتحد القابضة ش.م.ب. United Gulf Holding Company B.S.C.	