



CORPORATE GOVERNANCE REPORT FOR 2019

NASEEJ BSC(c) - COMMERCIAL REGISTRATION No. 72492

1. CORPORATE GOVERNANCE

Naseej is committed to upholding the highest standards of corporate governance in full compliance with all relevant local governing laws and regulations; and in line with international best practice. The Company has developed a Corporate Governance Framework to ensure adoption of the highest standards of ethical conduct, transparent disclosure and operational effectiveness; while protecting the rights and interests of all stakeholders.

The Framework has been designed in accordance with the 10 Principles of the revised Corporate Governance Code of the Kingdom of Bahrain, which was issued by the Ministry of Industry, Commerce & Tourism in October 2018. Ensuring adoption and implementation of the Code, and adherence to the Company's Corporate Governance Framework, is the direct responsibility of the Board of Directors.

1.1 CORPORATE GOVERNANCE FRAMEWORK PILLARS

- Charters for the Board of Directors and Board Committees
- Independent Board oversight through three independent Board Committees
- Annual self-assessment and evaluation of the Board and Board Committees
- Related Party Transactions Policy
- Code of Conduct & Whistle-blowing Policy
- Clearly defined Management structure with job descriptions
- Succession plan for the Company's key Executive Management positions
- Policy and Procedures Manuals for all Business Units and Support Functions

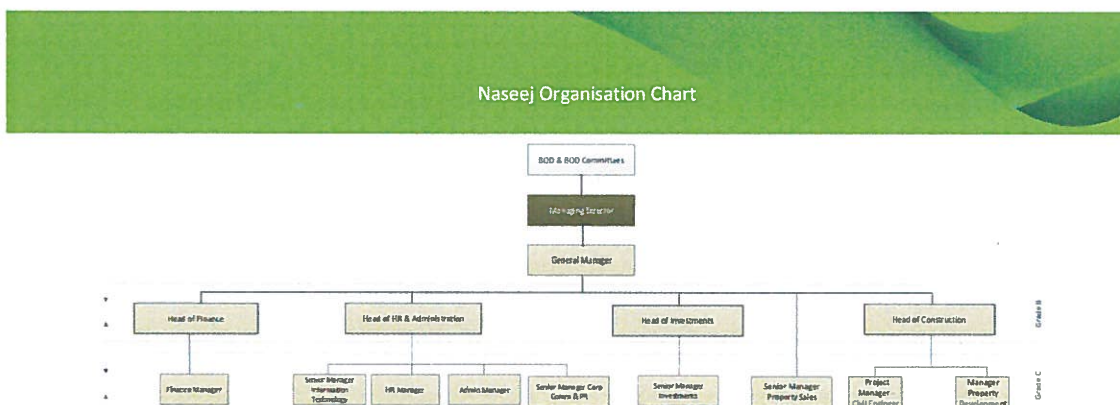
1.2 CORPORATE GOVERNANCE OFFICER

Mr. Amer Janahi MCIPD, Head of Human Resources & Administration, and Board Secretary, was formally appointed as the Company's Corporate Governance Officer on 21 April 2020.

Mr. Janahi has 18 years' public and private sector experience in human resources management (HRM) in the Kingdom of Bahrain. He holds a Master of Science degree in Human Resource Management from DePaul University, Chicago, USA; and a Bachelor of Arts degree in Business Information Management from Portobello College, Dublin, Republic of Ireland. An Associate Member of the UK Chartered Institute of Personnel & Development, He is also certified in both Personnel Practice and Training Practice.

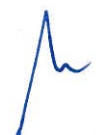
1.3 ORGANISATIONAL STRUCTURE

The following chart shows the top four levels of Management and their reporting lines.



1.4 CORPORATE GOVERNANCE DEVELOPMENTS IN 2019

- Following his appointment as CEO of GFH Properties, the status of the Chairman of the Board, Shaikh Hamed Al Khalifa, changed to Non-Independent & Non-Executive from Independent & Non-Executive previously.
- Based on the results of a gap analysis conducted to assess the Company's compliance with the revised Corporate Governance Code, Naseej took the following remedial actions:
 - Appointed a Corporate Governance Officer
 - Developed a Corporate Governance Policy, which was approved by the Board
 - Reviewed and revised the Corporate Governance Report for 2019



2. SHAREHOLDERS

Naseej has a total of 28 institutional and individual shareholders.

2.1 MAJOR SHAREHOLDERS (5% AND ABOVE) AS AT 31 DECEMBER 2019

	Shareholder	Number of shares held	Shareholding Percentage	Name of the final beneficiary
1	Ithmaar Holding BSC	161,579,576	18.70%	
2	BBK BSC	130,909,096	15.15%	
3	Ithmaar Development Company Ltd	103,605,024	11.99%	Ithmaar Holding BSC
4	Social Insurance Organisation	94,254,552	10.91%	
5	GFH Financial Group BSC	56,518,672	6.54%	
6	Khaleeji Commercial Bank BSC	54,084,320	6.26%	
7	Alfateh Investment	52,363,640	6.06%	
8	Ibdar Bank BSC	50,425,662	5.84%	

2.2 SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2019

	Shareholding (Shares)	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1	Less than 50,000	0	0	0%
2	50,000 to 500,000	1	117,240	0.01%
3	500,000 to 5,000,000	7	11,522,203	1.33%
4	More than 5,000,000	20	852,360,565	98.66%

2.3 SHAREHOLDERS' CLASSIFICATION AS AT 31 DECEMBER 2019

	Shareholder Classification	Individuals	Corporate	Government or Organisations	Total
1	Local	4.69%	62.39%	13.94%	81.02%
2	Arab	2.14%	4.17%	Nil	6.31%
3	Foreign	Nil	12.67%	Nil	12.67%
	Total	6.83%	79.23%	13.94%	100%



3.1 BOARD RESPONSIBILITIES

The Board of Directors of Naseej is accountable to the Shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. The Board has oversight responsibility for strategic planning, corporate governance, risk management and internal controls; as well as for ensuring transparency and full disclosure, and acting in a Sharia-principled manner.

The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Company's shareholders. As per the Company's Memorandum & Articles of Association, the Board will have a minimum of five and a maximum of ten Directors.

At the end of December 2019, the Company's Board comprised ten Directors, of which one was an Independent and Non-Executive Director.



3.2 BOARD COMPOSITION & SUMMARY OF DIRECTORS' PROFILES


#	Name, Membership, Status & Tenure of Director	Professional Experience & Qualifications	Positions & Directorships in Private and Public Sector
1	<p>Shaikh Hamed Mohamed Hamed Al Khalifa Chairman Non-Independent & Non-Executive Elected 2018 Chairman of Remuneration, Nomination & Governance Committee</p>	<p>21 years' experience MSc in Engineering Management from George Washington University, USA BSc in Systems Analysis from George Washington University, USA</p>	<p>Currently: CEO, GFH Properties Chairman: Riffa Palms Real Estate Deputy Chairman: Bahrain Air Space Agency Board Member: Telecommunications Regulatory Authority Formerly: General Director of Urban Planning. Ministry of Urban Planning & Municipalities Investment Manager - Real Estate, Mumtalakat Project Manager, Economic Development Board Board Member: Durrat Al-Bahrain and Southern Tourism Company</p>
2	<p>Mr. Abdulkarim Bucheery Vice Chairman Non-Independent & Non-Executive Elected 2018 Chairman of the Executive Committee</p>	<p>36 years' experience BSc in Economic Science from University of Aleppo, Syria</p>	<p>Currently: Chairman: Bahrain Bourse Bahrain Clear Vice Chairman: Bahrain Commercial Facilities Company Board Member: Deposit Protection Board, CBB INJAZ Bahrain Tamkeen Nasser Centre for Rehabilitation and Vocational Training Formerly: Chief Executive Officer, BBK</p>
3	<p>Mr. Mohammed Khalil Alsayed Managing Director Non-Independent & Executive Appointed 2009 Member of Remuneration, Nomination & Governance Committee</p>	<p>31 years' experience MSc in Structural Engineering from Southern Methodist University, Texas, USA BSc in Civil Engineering from University of Arkansas, USA</p>	<p>Currently: Vice Chairman & CEO: Ithmaar Development Company Chairman: Dilmunia Health Island Company Olive VFM Holding Company Founding Member:</p>



		Advanced Diploma in Project Management from RMIT University, Australia	<p>Arabian Gulf Chapter of Project Management Institute, USA</p> <p>Member: Bahrain Society of Engineers American Society of Civil Engineers Society of American Value Engineers American Management Association</p> <p>Formerly: Undersecretary, Ministry of Works & Housing</p> <p>Chairman of the Council for Regulating the Practice of Engineering Profession</p> <p>President of the Bahrain Society of Engineers (for two consecutive terms)</p>
4	<p>Mr. Abdulelah Ebrahim Al-Qasimi Director</p> <p>Non-Independent & Non-Executive</p> <p>Appointed 2014</p> <p>Chairman of Audit & Risk Committee</p>	<p>37 years' experience</p> <p>MSc in Health Facility Planning from University of North London, UK</p> <p>BSc in Civil Engineering from Queen Mary College, University of London, UK</p> <p>Diploma in Health Care Management from Royal College of Surgeons in Ireland, Bahrain</p>	<p>Currently: Chairman: Saudi Solidarity Takaful Co</p> <p>Board Member: Ithmaar Holding IB Capital (Ithmaar) Solidarity Group Holding Faysal Bank Limited (Pakistan) Board of Trustees, Arabian Gulf Pearl School</p> <p>Formerly: CEO, Labour Fund (Tamkeen) Deputy CEO, Labour Fund Project at Bahrain Economic Development Board Undersecretary for Training, Ministry of Labour Director of Engineering, Ministry of Health</p> <p>Chairman: Steering Committee, Bahrain Qualifications Framework Steering Committee, Bahrain Career Expo</p>
5	<p>Mr. Abdulhakeem Al Mutawa Director</p> <p>Non-Independent & Non-Executive</p> <p>Appointed 2013</p> <p>Member of Audit & Risk Committee</p>	<p>38 years' experience</p> <p>MBA from University of Bahrain</p> <p>Postgraduate Diploma in Management from the University of Bahrain</p> <p>BSc in Engineering from University of Texas, USA</p>	<p>Currently: Deputy CEO, Banking Group, Ithmaar Bank</p> <p>Formerly: Executive positions in banking and finance, and airline and aviation industries</p>



6	<p>Mr. Basma Mohamed Al Mutawa Director Non-Independent & Non-Executive Appointed 2009 Member of Executive Committee</p>	<p>16 years' experience BSc in Finance & Economics from Babson College, Boston USA</p>	<p>Currently: Managing Director, Noon Investment Company Board Member: Al Jazeera Tourism Company Sanad Investment Company Al Oula Securities Company AMA University Formerly: Consultant, KPMG Fakhro, Bahrain Board Member: GFH Financial Group</p>
7	<p>Dr. Khalid Mohamed Abdulla Director Non-Independent & Non-Executive Appointed 2013 Member of Executive Committee</p>	<p>31 years' experience PhD in Economics from Exeter University, UK MSc in Economic Development from University of East Anglia, UK</p>	<p>Currently: General Manager, Eskan Bank Founding Member: Bahrain Economic Society Member: Board of Trustees of MENA Investment Centre Formerly: CEO, Inovent BSC CEO, Reef Real Estate Finance Co AGM positions at BBK Assistant Professor and Chairman of Department of Economics & Finance, University of Bahrain</p>
8	<p>Mr. Khalil Ismaeel Al Meer Director Independent & Non-Executive Elected 2015 Member of Remuneration, Nomination & Governance Committee</p>	<p>34 years' experience BSc in Business Administration from University of Bahrain Attended Gulf Executive Development Program at Darden Graduate School of Business, University of Virginia, USA; and Senior International Bankers Programme at Manchester Business School (UK)</p>	<p>Formerly: Chief Executive Officer, Khaleeji Commercial Bank Executive positions at National Bank of Bahrain and BBK</p>
9	<p>Mr. Reyadh Yusuf Sater Director Non-Independent & Non-Executive Appointed 2016</p>	<p>42 years' experience MBA from University of Glamorgan, UK</p>	<p>Currently: Chairman: CrediMax Vice Chairman: Bahrain Credit Facilities Co Board Member: Crown Prince's International Scholarship Program</p>



	Member of Executive Committee		INJAZ Bahrain Formerly: Chief Executive Officer, BBK
10	Mr. Saqer Shaheen Saqer Director Non-Independent & Non-Executive Appointed 2013 Member of Executive Committee	33 years' experience MSc in Industrial & Systems Engineering from San Jose State University, USA BSc in Industrial Engineering from University of Miami, Florida, USA	Currently: Managing Director & CEO, Shaheen Group, Bahrain Vice Chairman: Bahrain Labour Market Regulatory Authority Board Member: Bahrain Industrial Group Asmak Company Gulf Services Company Awal Products Group Hilti Bahrain Abrasive Technologies Industries Company

3.3 ELECTION OF DIRECTORS

Directors are elected by the Shareholders at the Annual General Meeting for a tenure of three years' renewable. Elections are conducted in accordance with the Company's Memorandum & Articles of Association, and the Bahrain Commercial Companies Law.

3.4 INDUCTION & ORIENTATION OF DIRECTORS

The Company has in place a formal Induction Programme for new Directors. The programme includes providing each Director with an introductory pack containing a Company overview, governance and organisational chart, and terms of reference of the Board and Board Committees. In addition, there are presentations on significant, financial, strategic and risk issues; and orientation meetings with Members of the Board and the Executive Management team.

3.5 DEVELOPMENT OF DIRECTORS

An annual Development Plan has been developed for Board Members to enable them to carry out their responsibilities in line with latest regulatory developments and market conditions, in an informative and effective manner. The Plan includes important topics such as corporate governance, compliance and risk management.



3.6 EVALUATION OF BOARD & BOARD COMMITTEES

A comprehensive Board Evaluation process is designed to help Directors identify areas for improvement and reinforce their responsibilities. The Remuneration, Nomination & Governance Committee conducts an annual self-assessment and evaluation of the performance of the Board and Board Committees.

3.7 TOTAL REMUNERATION PAID TO DIRECTORS IN 2018 & 2019

For the year 2018, Directors' total remuneration was BD 135,250 including sitting fees. For the year 2019, Directors' proposed total remuneration is BD 168,188 including sitting fees, which will be presented for Shareholders' approval at the Annual General Meeting to be held on 29 June 2020.

3.8 BOARD COMMITTEES

The Board has delegated certain responsibilities to Board Committees without abdicating its responsibility. This is to ensure sound decision-making, and facilitate the conduct of business without unnecessary impediment. Each committee has a specific Charter covering matters such as its purpose, composition and function.

The Board has appointed three permanent committees to assist it in carrying out its responsibilities: Audit & Risk Committee, Executive Committee, and Remuneration, Nomination & Governance Committee.

3.8.1 AUDIT & RISK COMMITTEE (ARC)

Responsibilities

The responsibility of this Committee is to maintain and monitor an audit-based approach to all financial control and financial management activities of the Company. Its duties cover the areas of Internal Control, Financial Reporting, Internal and External Audit, and Risk Management. The ARC is also responsible for Compliance with Corporate Policies, Whistle Blowing, and Legal and Regulatory Compliance.

Members:

Mr. Abdulelah Alqasimi, Chairman
Mr. Abdulhakeem Almutawa
Mr. Khalil Almeer



3.8.2 EXECUTIVE COMMITTEE (ExCom)

Responsibilities

The responsibility of this Committee is to ensure that shareholders' assets are invested appropriately within the risk appetite determined by the Board and the Audit & Risk Committee. Its duties include reviewing and approving those transactions presented by Management, oversight on Management's implementation of the Company's strategy, investment diversification, and business continuity. The ExCom is also responsible for implementation of the Company's corporate social responsibility (CSR) programme.

Members:

Mr. Abdulkarim Bucheery, Chairman
Dr. Khalid Abdulla
Mr. Bashar Almutawa
Mr. Saqer Shaheen Saqer
Mr. Reyadh Sater

3.8.3 REMUNERATION, NOMINATION & GOVERNANCE COMMITTEE (RNGC)

Responsibilities

The responsibility of this Committee is to establish and monitor the Company's human resources, nomination and remuneration policies for Directors, management and staff. The RNGC is also responsible for overseeing implementation of the Company's corporate governance policy framework to ensure compliance with the Corporate Governance Code of the Kingdom of Bahrain issued by the Ministry of Industry, Commerce & Tourism.

Members:

Sh. Hamed Mohammed Al Khalifa, Chairman
Mr. Khalil Almeer
Mr. Mohammed Khalil Alsayed

3.9 BOARD AND COMMITTEE MEETINGS IN 2019

DIRECTORS' ATTENDANCE & SITTING FEES

	Board	Board Meetings Sitting Fees	Audit & Risk Committee	Remuneration, Nomination & Governance Committee	Executive Committee	Board Committees Sitting Fees
Total meetings held during the year	4		4	3	6	
Directors' attendance						
Sh. Hamad Mohammed Al Khalifa	4	BD 14,000		3	1	BD 3,188
Abdulkarim Bucheery	4	BD 10,000			6	BD 6,000
Abdulhakeem Almutawa	4	BD 10,000	4			BD 3,000
Abdulelah Al Qassimi	4	BD 10,000	4			BD 4,000
Bashar Almutawa	4	BD 10,000			6	BD 4,500
Dr. Khalid Abdulla	4	BD 10,000			6	BD 4,500
Khalil Almeer	4	BD 10,000	4	3		BD 5,250
Mohammed Khalil Alsayed	4	BD 10,000		3		BD 2,250
Reyadh Sater	4	BD 10,000			5	BD 3,750
Saqer Shaheen Saqer	4	BD 10,000			6	BD 4,500

4. SIGNIFICANT EVENTS IN 2019

- The issued and paid up share capital of Naseej was reduced from BD 108,000,001 to BD 86,400,001 in 2019.
- During the year, Naseej acquired a 25% stake in Olive VFM Company, a subsidiary of Ithmaar Development Company that provides facilities management solutions.

5. EXTERNAL AUDITORS

The external auditors of the Company are Deloitte Bahrain, established in 1985, and part of Deloitte & Touche Middle East, a member firm of Deloitte Touche Tohmatsu Limited.


Name of the Audit Firm	Deloitte Bahrain
Years of service as the Company's External Auditor	3 years (since 2017)
Name of Partner-in-Charge of the Company's Audit	Irshad Mahmood
Number of years as Partner-in-Charge of the Company's Audit	3 years
Total Audit Fees for 2019 Financial Statements of Naseej	BD 12,650
Other Special Fees and Charges for Non-Audit Services in 2019	Nil

6.0 EXECUTIVE MANAGEMENT

The Board delegates authority for the day-to-day management of the Company to the Managing Director and General Manager, who are supported by a well-qualified and highly-experienced Executive Management team.

6.1 EXECUTIVE MANAGERS' EXPERIENCE, QUALIFICATIONS & APPOINTMENT

	Name and Position	Experience and Qualifications	Date of Appointment
1	Mr. Mohammed Khalil Alsayed Managing Director	31 years' experience in Engineering, Project Management and Real Estate Development, spanning the public and private sectors Vice Chairman and CEO, Ithmaar Development Company MSc in Structural Engineering from Southern Methodist University, Texas, USA BSc in Civil Engineering from University of Arkansas, USA Advanced Diploma in Project Management from RMIT University, Australia	2009
2	Mr. Ahmed Al Hammadi FCCA General Manager	38 years' experience in management, finance and accounting, in both the public and private sector Previously worked with Majid Al Futtaim Group, Gulf Air, and the Ministry of Finance & National Economy Former Lecturer at the British Council and the Bahrain Institute of Banking & Finance Fellow of the UK Chartered Institute of Certified Accountants Bachelor's degree in Business Studies from the University of Bahrain	2010
3	Mr. Amer Janahi MCIPD Head of Human Resources & Administration Board Secretary Corporate Governance Officer	18 years' experience in Human Resources Management (HRM) in the public and private sector Held HRM positions with Ithmaar Bank, National Gas Company (Banagas), and the Court of the Crown Prince of the Kingdom of Bahrain MSc in Human Resource Management from DePaul University, Chicago, USA BA in Business Information Management from Portobello College, Dublin, Republic of Ireland Associate Member of UK Chartered Institute of Personnel & Development Certified in Personnel Practice (CPP) and Training Practice (CTP)	2010



4	Mr. Mark Haikal * Head of Investments NASEEJ	33 years' regional and international experience as a corporate development strategist across a broad spectrum of industries, services, products and technologies Previously COO of Saudi Mubadara Development Company, Saudi Arabia; Director of Worldwide Sales at NCR Site Preparation Services / Winston Joseph, USA; and Investment Manager at Maynard Capital Partners, USA Master's degree in Economics from the University of Maryland College Park, USA; and a BA in Economics from Central Connecticut State University, USA	2010
5	Mr. Roy Sullivan Head of Construction	41 years' experience in contracting, construction, project management, consulting and client development, spanning the United Kingdom, North Africa, Europe and the Middle East Previously worked for Arabtec Construction International, Dar Al-Handasah Shair & Partners Consultants, HBG Construction - Royal BAM Group, Bluestone - Morgan Sindall Group, Balfour Beatty Construction UK, Bovis Europe, Tarmac Major Projects and Baxter Fell International Projects include shopping malls, hotels, housing, hospitals, universities, office blocks, exhibition conference halls, sports and leisure centres, prisons and military bases	2013
6	Ms. Shayma Abulfatih CFA ** Head of Finance	15 years' experience in banking and financial services Previously worked with First Investment Bank and Kuwait Finance House - Bahrain Chartered Financial Analyst (CFA) MBA from DePaul University, Chicago, USA BSc in Computer Science (minor in Accounting) from the American University of Sharjah, UAE	2018

* Resigned 30 May 2019 ** Resigned 31 July 2019

6.2 REMUNERATION OF EXECUTIVE MANAGEMENT IN 2019

Total remuneration of the Executive Management team in 2019 was BD 361,078.

6. RELATED PARTY TRANSACTIONS

Naseej acquired a 25% stake in Olive VFM Company, a subsidiary of Ithmaar Development Company.

Nil

8. CODE OF CONDUCT & WHISTLE-BLOWING POLICY

Naseej has put in place a Code of Conduct which sets out strict rules governing the professional conduct and ethical conduct of the Company's Directors and Employees. The Company has also developed a Whistle-Blowing Policy designed to enable the airing of genuine concerns regarding suspected malpractice within Naseej, enhancing transparency, and protecting the Company's integrity.

9. COMMUNICATIONS & DISCLOSURE

Naseej conducts all communications with its stakeholders in a professional, honest, transparent and timely manner. Main communication channels include an Annual General Meeting, annual report, website, and regular announcements in the appropriate local media and social media channels. To ensure the disclosure of relevant information to all shareholders on a timely basis, the Company maintains a website, on which it posts important information, including its financial results: www.naseej.bh.

10. CASH & IN-KIND CONTRIBUTIONS MADE BY NASEEJ IN 2019

In 2019, Naseej made total donations of BD 22,157 as part of its Corporate Social Responsibility (CSR) programme. Donations focused primarily on charitable institutions; education and training; architectural and cultural heritage; and health, safety and environment.

As well as providing financial assistance, Naseej supports the sustainable economic development and social well-being of the Kingdom of Bahrain through a wide variety of community engagement and related CSR activities.

11. ANY DISCLOSURES REQUIRED BY REGULATORY AUTHORITIES

Nil

NASEEJ

12. COMPLIANCE WITH CORPORATE GOVERNANCE CODE IN 2019

	Principle	Not Compliant	Partially Compliant	Fully Compliant	Explanation of Non-Compliance
1	The Company shall be headed by an effective, qualified and expert Board.		✓		The Chairman is no longer an Independent Director
2	The Directors and Executive Management shall have full loyalty to the Company.			✓	
3	The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.		✓		The ARC has only one Independent Director
4	The Company shall have effective procedures for appointment, training, and evaluation of the Directors.			✓	
5	The Company shall remunerate Directors and Senior Officers fairly and responsibly.			✓	
6	The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
7	The Company shall communicate with Shareholders, encourage their participation, and respect their rights.			✓	
8	The Company shall disclose its corporate governance.		✓		The RNGC has only one Independent Director
10	The Board shall ensure the integrity of the financial statements submitted to Shareholders through appointment of External Auditors.			✓	
11	The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	
9*	Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.				Not Applicable to Naseej

[* Applicable only to companies offering Islamic services]

Chairman Signature

NASEEJ
C.R. 72492 P.O. Box: 1383
Manama, Kingdom of Bahrain

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Date: 19/05/2020

Official Seal of the Company

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