

شركة الفنادق الوطنية (ش.ب.م.)
NATIONAL HOTELS COMPANY (B.S.C)



Corporate Governance Report

For the year 2019

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1- Actions taken to complete the Corporate Governance Code

The Corporate Governance code issued by the Ministry of Industry, Commerce and tourism on 28th march 2019 (as amended) forms the cornerstone that the National Hotels Company (BSC) (or the “Company”) adopts in conducting its daily commercial transactions, while adhering the laws of the Kingdom of Bahrain

The Corporate Governance code governs the relationship between the Company and its shareholders, Board of Directors, Executive Management, Employees and other parties (such as customers, legal bodies, suppliers and all individuals or corporates with whom the company transacts).

Implementing astute Corporate Governance is an important component of the company’s construct and hence the Company ensures that all the transactions with all involved parties are conducted in a responsible and safe manner at all times.

In addition and in an effort to make the Company’s shares attractive investment option for the existing shareholders and new investors alike, the Company adopts a clear and transparent communication with all of its shareholders at all times.

In doing so, the Company’s management periodically announces the results of its operations transparently and accurately in line with the requirement of the Corporate Governance Code and International Accounting Standards, in addition to the prevailing laws of the Kingdom of Bahrain.

Further to the above, the Company complies with the requirement of the Corporate Governance Code and ensures compliance with best international practice.

This report reflects in a clear and transparent manner the Company’s compliance with and implementation of the Corporate Governance Code content for the financial year 2019.

2- Dealings of the Directors, and their relatives in the Company's Shares

There were no dealings conducted (sale / purchase) in the Company’s shares by the members of the Board of Directors, their spouses or their children during the year.

3- Composition of the Board

A. Current Board of Directors composition:

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
1	Faisal Ahmed Al Zayani	Independent / non-executive	<ul style="list-style-type: none"> • A reputable Businessman in the Kingdom of Bahrain • He holds a PhD in Management. 	30/4/1983	31/3/2021	NIL	NIL
2	Adel Nuhaba Hamada	Non- executive	<ul style="list-style-type: none"> • Currently serving as the Director of Investment Accounting Department at the Kuwait Investment Authority. • Has extensive experience in the Business Management. • Held several positions in the Presidential Positions including General Manager of Yousif Mohammed Al Shaya Group, Director of Financial Affairs, Director of Purchasing and Warehousing Department, Director of Internal Audit Department, General Revenue Controller and Head of Cost and Budget Accounts at various periods in Kuwait Public Transport Company. • Held the position of Senior Accountant at Kuwait Real Estate Investment Group. • Holds a Bachelor of Commerce degree from the University of Kuwait and a Master's degree in management and management accounting from Kens College of Business, London. 	28/3/2018	31/3/2021	NIL	NIL

No.	Name	Type (executive, non- executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
3	AbdulAziz Abdullah Alisa	Non- executive	<ul style="list-style-type: none"> • Currently serving as the Executive Director of Legal Affairs and Secretary of the Board of Directors of the Social Insurance Authority. • Holds a Basic Supervision Diploma from the University of Bahrain and a Bachelor of Law from the University of Beirut. 	29/3/2013	31/3/2021	NIL	NIL
4	Meshari Zaid Al Khalid	Non- executive	<ul style="list-style-type: none"> • Currently serving General Manager of Al-Khalid International Group, Kuwait. • Has extensive experience in the Business Management. • Held several key positions, including; a General Manager of the Kuwait Real Estate Investment Group, Chairman and Managing Director of Safat Real Estate Company, Executive Committee member of the Egyptian Gulf Bank and the Kuwait-Egypt Investment Company. • Holds a Bachelor's Degree in Commerce from the college of Business Administration, Cairo University. 	27/3/2002	31/3/2021	NIL	NIL
5	Faisal Yousif Al Meshari	Non- executive	<ul style="list-style-type: none"> • Currently serving Assistant General Manager for Investment and corporate Finance at the Kuwait Investment Company. • Senior Manager within the Business Development Department at the Kuwait Investment Company. • Held the position of Financial Analyst at Kuwait and Middle East Financial Investment Company. • Holds a Bachelor's Degree in finance from the Administrative Sciences College - University of Kuwait. 	28/3/2018	31/3/2021	NIL	NIL

No.	Name	Type (executive, non- executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorsh ips and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
6	Elham Adel Ahmed	Non- executive	<ul style="list-style-type: none"> Senior Investment manager within the strategic investments department at Osool Asset Management BSC@. Held the position of Financial Analyst at Bahrain National Holding Company. Held the position of financial analyst at Ithmaar Development Company. A Chartered Financial Analyst (CFA) and a holder of a Bachelor's Degree in Banking and Finance from the University of Bahrain. 	28/3/2018	31/3/2021	NIL	NIL
7	Shehab Ahmed Haji	Non- executive	<ul style="list-style-type: none"> Currently works as an investment manager in the General Reserve Sector at the Kuwait Investment Authority. Held several positions in various banking fields, most notably the position of Relationship Officer at Gulf Bank in Kuwait. Holds a Bachelor's Degree in financing and management of financial institutions - the College of Administrative Sciences from the University of Kuwait. 	28/3/2018	31/3/2021	NIL	NIL
8	Abdulrahman Ali Marshad *	Non- executive	<ul style="list-style-type: none"> Held the Position of Chief Executive Officer at National Hotels Company B.S.C. (1979 to 2017) Has extensive experience in the Hospitality sector and assets management field for more than 35 years. 	28/3/2019	31/3/2021	NIL	NIL

**At the beginning of 2020, Mr. Abdulrahman Marshad met the requirements for Independence as stipulated in Corporate Governance Code.*

B. Description of the following:

1. The directors remuneration for the past year (2018) was BD 119,500.
2. The total remuneration of the directors proposed for the current year (2019) is BD 156,125, which will be presented at the Annual General Meeting for approval.
3. The following is a list of the attendance fees of the committees of the Directors for the financial year 2019:

No.	Name	Attendance allowances for committees of the Board		
		Name of Committee	Value of the allowance (Bahraini Dinar)	Number of meetings
1	Abdulaziz Abdullah Alisa	Executive, Nomination & Remuneration Committee	750 /-	5
2	Adel Nuhaba Hamada	Executive, Nomination & Remuneration Committee	750 /-	5
3	Faisal Yousif Al Meshari	Executive, Nomination & Remuneration Committee	750 /-	5
4	Meshari Zaid Al Khalid	Audit & Corporate Governance Committee	750 /-	5
5	Abdulrahman Ali Marshad	Audit & Corporate Governance Committee	750 /-	4
6	Elham Adel Ahmed	Audit & Corporate Governance Committee	750 /-	5
7	Shehab Ahmed Haji	Audit & Corporate Governance Committee	750 /-	5

C. Meetings of the Board of Directors:

In accordance with the Company's Articles of Association, the Company is required to hold at least four Board meetings annually. During the year ended 31 December 2019, the Board of Directors of the Company held six meetings to follow up on its activities and to direct the executive management. The following table summarizes the information about the dates and member attendance of those meetings.

Board of Directors Meeting Schedule:

Meeting Number	Date of Invitation	Date of the meeting	Attendance **	Number of Absence
1	29/1/2019	14/2/2019	7	-
2	28/3/2019	28/3/2019	8	-
3	4/4/2019	18/4/2019	8	-
4	19/6/2019	18/7/2019	8	-
5	22/9/2019	17/10/2019	8	-
6	21/11/2019	12/12/2019	8	-

**** All attended in person, and the video communication was not used.**

D. Duties or competences carried out on its behalf by the Executive Management:

There were no Board of Directors specific tasks or assignments that have been carried out by the Executive Management, based on the basis of a mandate from the Board.

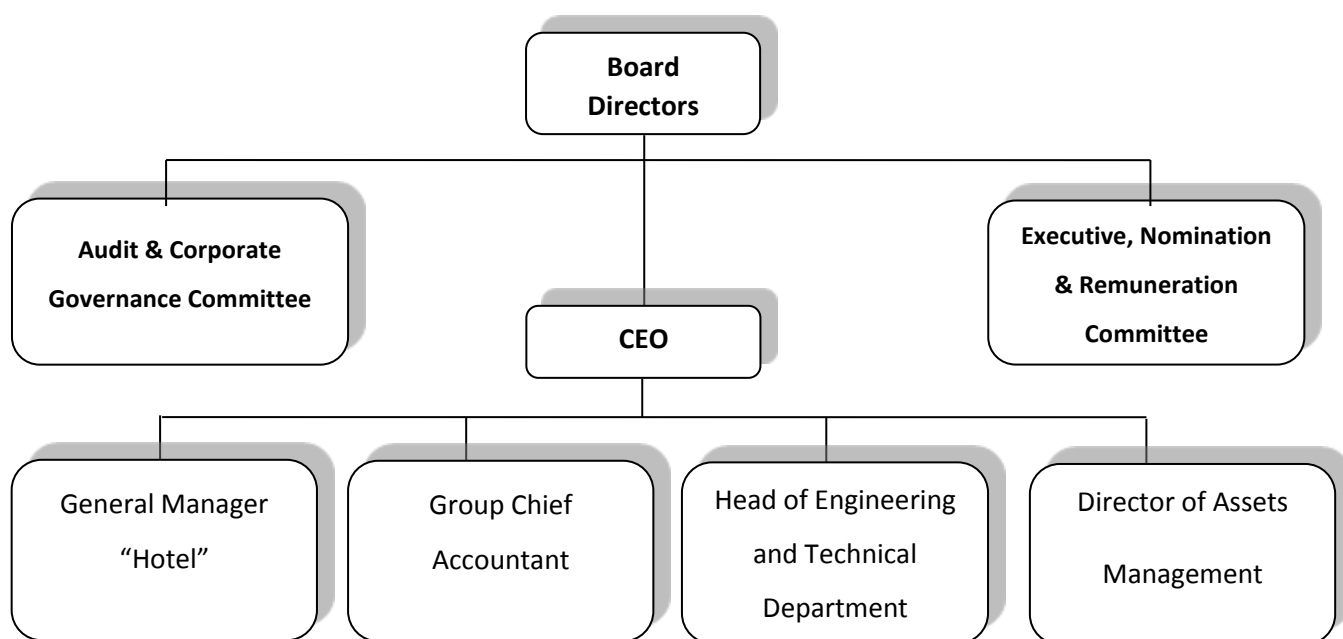
E. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors. The following table shows the transactions made with related parties during the year, indicating the nature of the relationship and the type of deal.

Transactions with related parties included in the statement of profit or loss are as follows:

Related parties	Purchases	Fees for Management services	Other expenses	Revenue and other income
	Bahraini Dinar			
Associate company	108,425	-	-	848
Management Company (Rezidor)	-	127,259	13,125	-
Directors	-	-	216,125	2,720
Total	108,425	127,259	229,250	3,568

F. Organizational structure highlighting the Company's first and second tier of the executive management



G. Total remunerations paid to the key executive officers during the financial year (2019) amounted to **316,372/-** Bahraini Dinar.

4- External Auditor

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 28/3/2019 reappointed Ms. Ernst & Young as the external auditor of the Company for the financial year ended 31/12/2019, at agreed fee 15,000 BD, which includes the review of data quarterly for the period.

Ms. Ernst & Young have been the external auditor of the company since 2002. The external auditor has submitted an unqualified opinion for the year 2019 to the Ordinary General Assembly held on 26/3/2020.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), the Commercial Companies Law of the Kingdom of Bahrain and the directives and regulations issued by the Central Bank of Bahrain.

The table below highlights the External Auditor's details:

Name of Audit firm	Ernst & Young
Years of service as the company's external auditor	18 years
The partner's years of service as the partner in charge of the company's audit	Mr. Isa Al-Jowder
Total audit fees for the financial statements for the year 2018 (BD)	15,000/- BD
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 if any. In the absence of such fees, this shall be expressly stated.	There are no other fees paid to the Auditor

5- Audit & Corporate Governance Committee

The role of the Audit & Corporate Governance Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit & Corporate Governance Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts, as it considers necessary from time to time in the performance of its duties. The Committee held five meetings during the year, and the following table highlights the details and the attendance of the committee members for these meetings.

Audit & Corporate Governance Committee Attendance Table :

No.	Name	Position	Number of meetings attended	Dates of meetings held				
				14/2/2019	17/4/2019	17/7/2019	16/10/2019	11/12/2019
1	Meshari Zaid Al Khalid	Chairman of the Audit & Corporate Governance Committee	5	✓	✓	✓	✓	✓
2	Abdulrahman Ali Marshad	Member	4	×	✓	✓	✓	✓
3	Elham Adel Ahmed	Member	5	✓	✓	✓	✓	✓
4	Shehab Ahmed Haji	Member	5	✓	✓	✓	✓	✓

6- Nomination and Remuneration Committee (NRC)

The Board of Directors decided to assign the roles and responsibilities of the Nomination and Remuneration Committee to the Executive Committee. The Committee resumed its duties and conducted its meetings during 2020.

7- Corporate Governance Officer

The Board of Directors has assigned the role of Corporate Governance Officer to the Chief Executive Officer since with the Company in 2019. The following is the resume of the Corporate Governance Officer is as follows:

Mr. Zaher Mohammed Al-Ajjawi has held many key positions during his professional career mainly in the field of accounting, finance and banking. Through his work in international organizations in the United States, the United Kingdom and the UAE, he has acquired many executive and operational skills in banking, investment and real estate sectors. In addition, he has represented a number of companies on the boards and committees of several companies, banks and funds, which gained him considerable experience in the field of corporate governance. Mr. Zaher has participated in many investment conferences and international trade forums, and has attended several training and professional courses, including a project management plan course (PMP) and financial analysis.

Mr. Al Ajjawi holds a Master's degree in Finance (with Honors) from DePaul University in the USA and a Bachelors of science in Accounting (with Honors) from the University of Bahrain. He is also a Certified Public Accountant (CPA) from the State of Illinois, USA. Mr. Zaher can be contacted on the following numbers : 17530838 -17530839 or e-mail : zalajjawi@nhcbahrain.com

8- Irregularities committed during the Financial Year

No irregularities have been committed during the financial year 2019.

9- Cash and in kind contributions for the Charity society

The company provided many cash contributions to different charities and national establishment reaching a total of BD 44,000/- . The Company maintains the details of these donations and details of the receiving parties within its records.

10- Shareholders Information

A. The following table shareholder Company's distribute by type of shareholder as of 31 December 2019:

No.	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organisations	Total
1	Local	12.29%	1.73%	32.15%	46.17%
2	Arab	-	0.05%	53.78%	53.83%
3	Foreign	-	-	-	-
4	Total	12.29 %	1.78%	85.93%	100%

B. The following table highlights the shareholders with a holding of 5% or more in the Company's share capital, with the name of the natural person / owner of the stock / final beneficiary, as at 31/12/2019:

No.	Name	No. of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Kuwait Investment Authority	39,827,884	32.84%	Government of Kuwait
2	Social Insurance Organisation	38,989,471	32.15 %	Government of the Kingdom of Bahrain
3	Kuwait Investment Company	25,399,330	20.94 %	Government of Kuwait

C. The following table highlights the shareholder distribution by size of ownership as at 31/12/2019:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	<50,000	3,928	3,725,771	3.07%
2	50,000 to 500,000	28	6,454,434	5.32%
3	500,000 to 5,000,000	5	7,821,096	6.45%
4	>5,000,000	3	103,273,699	85.16%
Total		3,964	121,275,000	100.00%

D. The significant events that occurred during the year 2019

Nil.

11- Compliance with the provisions of 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.			✓	
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 financial reporting, Internal control and compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			✓	
Principle 5: The Company 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: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 10: The Company shall seek, through social responsibility, to exercise its role as a good citizen.			✓	

12- Any other disclosures required by the regulatory authorities.

There were no other disclosures required by the regulatory authorities with highlighting for the year.

Chairman Signature
Date: 13/02/2020

Official Seal of the Company