



**SHARAKA**  
FOR HOUSING PROJECTS BSC (c)

## **Sharaka B.S.C. (c) Commercial Registration No. 81244-1**

### **Corporate Governance Report for the year 2018**

#### **1- Description of the actions taken to complete the Corporate Governance Code during the year 2018 and how they were applied.**

Sharaka B.S.C (c) is a wholly owned subsidiary of Naseej BSC, specifically created to carry out the Public Private Partnersjip project with the Ministry of Housing. Being a special purpose vehicle (SPV), the company does not have its own audit committee or remuneration, nomination, and governance committee; it only has a dedicate Board. All its operations is handled by Naseej BSC. Naseej BSC has always endeavoured to be compliant with the Corporate Governance practices over the years as part of best practices when the Corporate Governance code was introduced by CBB, though the Company was not regulated by CBB. Naseej BSC have carried out gap analysis of the group with the introduction of the new code and accordingly implemented the new code in full at group level. A "Corporate Governance Officer" was appointed and communicated to the Ministry of Industry, Commerce & Tourism (MOICT).

#### **2- Description of the transactions of the directors, their spouses and sons on the Company's shares during the year 2018 according to the following table:**

There were no transactions related to the directors, their spouses and sons on the Company's shares during the year 2018.

#### **3- Composition of the Board:**

a. Description of the current Board composition according to the following table:

#	Name	Type (executive , non-executive or independe nt)	Experience	Qualification	The period of his term as a director of the Company starting from the date of his first election or appointment	Directorships and positions in other companies	Positions in any other key regulatory, government or commercial entities.
1	Hamed Mohamed Al-Khalifa	Independent Non-Executive Director	Bahrain's former chief urban planner offering comprehensive background in community-based planning, project management and policy development. Formerly the General Director of Urban Planning in the Kingdom of Bahrain (for 9 years), was also an Investment Manager at Mumtalakat overlooking the real estate portfolio,	<ul style="list-style-type: none"><li>• BS in Systems Analysis Engineering with a minor in Economics from the George Washington University, USA.</li><li>• Masters in Engineering Management with a concentration in economics, finance, and cost engineering from the George Washington University, USA.</li></ul>	Since 28 June 2018	<ul style="list-style-type: none"><li>• Chairman of Naseej B.S.C.;</li><li>• Chairman of Riffa Palms Real Estate;</li><li>• Director at Telecommunications Regulatory Authority.</li><li>• Deputy Chairman of Bahrain Space Agency.</li></ul>	



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			and formerly served at the Board of Durrat Al-Bahrain and Southern Tourism Company.				
2	Bashar Almuwata	Non-Independent Non-Executive Director	Over 15 years of work experience in the banking and finance fields. Currently the Managing Director of Noon Investment Company Bahrain.	<ul style="list-style-type: none"> <li>BSc in Finance &amp; Economics.</li> </ul>	Since 2013	<ul style="list-style-type: none"> <li>Director at Naseej B.S.C.;</li> <li>Director at Al Jazeera Co.;</li> <li>Director at GFH Financial Group BSC;</li> <li>Director at AMA;</li> <li>Director at Noon Investment;</li> <li>Director at Sanad Investment.</li> </ul>	
3	Mohammed Khalil Alsayed	Non-Independent Executive Director	More than three decades of experience in Engineering, Project Management and Real Estate Development. Currently the Managing Director of Naseej BSC and the Chief Executive Officer of Ithmaar Development Company.	<ul style="list-style-type: none"> <li>MSc in Structural Engineering from the Southern Methodist University, Texas, USA;</li> <li>BSc in Civil Engineering from the University of Arkansas, USA; and an Advanced Diploma in Project Management from RMIT University, Australia.</li> </ul>	Since 2013	<ul style="list-style-type: none"> <li>Director at Naseej B.S.C.</li> </ul>	

b. Description of the following:

- Total remunerations paid to the directors for the (last) year 2018.  
There was no remunerations paid to the directors in the year 2018.  
Board sitting fees amounted to BD 6,000.
- The proposed total remunerations to be paid to the directors for the year 2018, which will be presented at the annual general meeting for approval.  
No proposed remuneration to be paid to the directors for the year 2018.
- Description of the sitting fees paid to the directors for attendance of the Board's committees for the financial year 2018 according to the following table:  
Since Sharaka is a Special Purpose Vehicle created by Naseej B.S.C. to handle a single project, no separate committees were created for this company as all its operations are handled by Naseej BSC.



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- c. Number and dates of the Board's meetings held during the financial year 2018, in addition to the number of times directors attended in person or by visual communication and a description of the directors present by proxy.

Meeting No.	Board Meeting Date	No. of Directors Attending in person	No. of Directors Attending by phone	No. of Directors present by proxy
1	5 March 2018	3	0	None
2	6 June 2018	3	0	None
3	9 September 2018	3	0	None
4	4 December 2018	3	0	None

- d. Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.

The Board carries its duties and competences as per the Board charter and no duties of the Board have been carried out on its behalf by the Executive Management by delegation of authority.

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

Name	Relationship	Amount	Type of Transaction
Naseej B.S.C.	Parent Co.	1,219,434	Borrowing cost
Naseej B.S.C.	Parent Co.	189,300	Debt arrangement fee
Ithmaar Bank	Shareholder of Parent Co.	639,747	Income from bank deposits/placements
Ithmaar Bank	Shareholder	99,837	Borrowing cost
Ithmaar Bank	Shareholder	45,000	Debt arrangement fee
Ithmaar Development Company	Shareholder	67,149	Professional fees / development manager fees

- f. The Company's organizational structure, including the first and second grades at a minimum and including the Company's general manager and/or chief executive officer, deputy general manager and managers.





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- g. Total remunerations paid to the key executive officers (the top five employees), including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, etc.  
BD 20,400

#### 4- External Auditors:

- a. Providing shareholders with the auditor's profile and overview of its professional performance.  
Deloitte & Touche (M.E.), Bahrain are external auditors of the Company. Deloitte in Bahrain was established in 1955 and is part of Deloitte & Touche (M.E.). Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). Through the years the variety of high quality of services delivered by Deloitte Bahrain has been instrumental in the setting up of a wide range of small, medium and large businesses (including some banks and insurance companies) on the island.
- b. Fees and charges for the audit or services provided by the external auditor during the year 2018, in addition to a description of the auditor's years of service as the Company's external auditor. According to the following table:

<b>Name of the audit firm</b>	Deloitte & Touche (M.E.), Bahrain
<b>Years of service as the Company's external auditor</b>	2 years
<b>Name of the partner in charge of the Company's audit</b>	Mr. Irshad Mahmood
<b>The partner's years of service as the partner in charge of the Company's audit</b>	2 years
<b>Total audit fees for the financial statements for the year 2018 (BD)</b>	2,750
<b>Other special fees and charges for non-audit services other than auditing the financial statements for the year 2018 (BD) if any. In the absence of such fees, this shall be expressly stated</b>	Nil

#### 5- Audit Committee: (replaced by Audit & Risk Committee effective 28 June 2018)

Sharaka is supervised by the parent company's committee (Naseej B.S.C.).

- a. Names, competences and duties of the audit committee's members.

#	Name	
1	Bashar Almutawa	Chairman (until 28-June-2018)
2	Abbas Rashi	Member (until 28-June-2018)
3	Abdulelah Alqasimi	Member (until 28-June-2018)
4	Abdulhakeem Almuwata	Member (from 28-Jun-2018)
5	Khalil Almeer	Member (from 28-Jun-2018)

Competencies and duties of the Audit Committee are mentioned under the Audit & Risk Committee section.



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- b. Number and dates of meetings held by the audit committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person.

Meeting No.	Meeting Date	No. of Directors Attending in person	No. of Directors Attending by phone	No. of Directors present by proxy
1	1 March 2018	3	0	None
2	3 June 2018	3	0	None
3	3 Sep 2018	3	2	None
4	27 Nov 2018	3	1	None

## 6- Audit & Risk Committee (ARC):

Sharaka is supervised by the parent company's committee (Naseej B.S.C.).

- c. Names, competences and duties of the audit committee's members.

#	Name	
3	Abdulelah Alqasimi	Chairman (from 28-Jun-2018)
4	Abdulhakeem Almuwata	Member (from 28-Jun-2018)
5	Khalil Almeer	Member (from 28-Jun-2018)

### Competencies:

The BOD must satisfy itself that at least a majority of the Committee members have financial literacy qualifications as set out in the Bahrain Corporate Governance Code, which includes:

- an ability to read and understand corporate financial statements including the balance sheet, income statement and cash flow statement and changes in shareholders' equity;
- an understanding of the accounting principles which are applicable to the Company's financial statements;
- experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in the Company's business;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of the Audit and Risk Committee's function and importance.

### Duties:

#### General Responsibilities:

- Have regard to the Laws of Bahrain and any approved Company policies relative to the matters under consideration;
- Carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions;
- Carry out any other responsibilities and duties delegated to it by the BOD related to the purposes of the Committee;
- Remain flexible, to best react to changing conditions and to be in the best position to ensure to the BOD and stakeholders of the Company that the Company's governance principles, policies, standards and practices are upheld and maintained in all matters before it, so as to optimally assist the BOD and the Company's Management to effectively and efficiently promote the best interests of the Company by appropriately balancing the interests of its stakeholders;



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- May not delegate any of its decision making responsibilities to Management;
- May study or investigate any matter of interest or concern that it deems appropriate or relevant to the matters before it for review;
- Maintain effective working relationships and open avenue for communication between the BOD, Management, and the Internal and External Auditors.
- If necessary, institute special investigations as and when required and hire special counsel or experts to assist; and
- Review any other matter referred to it by either the BOD or the Chairperson.

**Internal Control:**

- Obtain explanation from management and internal auditors and external auditors on whether NASEEJ's financial and operating controls are adequate and functioning effectively.
- Ensure that the Company's operations, individually and collectively are measured, monitored and controlled by appropriate effective and prudent risk management framework/system that commensurate with the scope of the Company's activities and are supported by an appropriate control environment.
- Monitor and review the standards of risk management and the effectiveness and integrity of internal control systems, including the procedures for ensuring that material business risks, fraud and related matters, are properly identified and managed.
- Review compliance systems to ensure compliance with legislation including relevant filings and compliance with the accounting standards.
- Ensure management is accountable for the security of computer systems and applications, and the business continuity and disaster recovery plans.
- Confirm with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues and ensure that audit / control recommendations by internal and external auditors are promptly implemented.

**Financial Reporting:**

- Examine all formal announcements relating to financial performance including annual and half yearly financial statements, or quarterly, as may be required as a publicly quoted company, and all preliminary financial announcements before submission to the BOD including:
  - Considering the appropriateness and application of accounting policies, compliance with accounting standards, stock exchange, legal and regulatory requirements, including any changes in accounting standards in the period;
  - Considering any significant adjustments proposed by the Auditor during their review and any matters of significant disagreement between Auditor and management;
  - Considering and concluding on the treatment of any other major judgmental items;
  - Considering the appropriateness of the going concern assumption;
  - Reviewing the disclosure of the principal Audits in the business and the associated corporate governance statement regarding internal controls and compliance with the Bahrain Corporate Governance Code;
  - Reviewing the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context; and
  - Considering whether the financial statements provide a true and fair view.
- Prepare a report for inclusion in the Annual Report detailing:
  - A summary of the role of the ARC;
  - The names and qualifications of all members of the ARC during the period;
  - The number of ARC meetings; and
  - The way the ARC has discharged its responsibilities.
- Ensure processes are established and maintained to address critical financial reporting risks and transparency of financial reporting.



- Monitor the integrity of the Company's financial statements (including annual and interim reports, preliminary result announcements and any other formal announcements relating to the Company's financial performance), reviewing significant financial reporting issues and judgments which they contain.
- Review and challenge, where necessary, the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company.
- Review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company's financial statements.
- Discuss with management and the external auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Review any legal matters, which could significantly impact the financial statements.
- Examine the process of preparation of annual and interim financial statements including adherence to accounting standards.
- Review Management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting.
- Pay particular attention to complex and/or unusual transactions as well as judgmental areas involving commitments and contingencies.
- Meet with Management and the external auditors to review the financial statements, the results of the audit, management letter and the annual report before its release.
- Determine the appropriateness of the going concern assumption as the basis on which the accounts are prepared.
- Monitor the adequacy of management reporting processes.

External Audit:

- Recommend to the BOD for approval by the shareholders the appointment of the external Auditor and monitor thereafter the relationship including:
  - Considering the audit fee, and fees for non-audit work;
  - Approving their engagement letter, including any issued at the start of an audit;
  - Considering the nature, scope and materiality of the audit, ensure that there are no restrictions on the audit scope;
  - Reviewing the external Auditor's management letter and management's response;
  - Agreeing with the BOD, a policy on the employment of former employees of the Auditor;
  - Monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of partners;
  - Seeking reassurance that the auditors and their staff have no financial, business, employment or family and other personal relationship with the company which could adversely affect the auditor's independence and objectivity;
  - Defining a formal policy to specify the types of non-audit work that the Auditor is excluded from; can be engaged without referral to the Committee; and for which a case by case decision is necessary; and
  - Reviewing the effectiveness and objectivity of the audit process on an annual basis, the quality control procedures and consider the expertise and resources of the Auditor. The annual transparency report of the audit firm should also be considered, when published.
- Meet at least annually with the external Auditor, without management being present, to discuss their remit and any issues arising from the audit.
- Consider communications from the external Auditor on audit planning and finds and on any material weaknesses in account and internal control systems that come to the Auditor's attention.
- Assess periodically the Audits associated with the possible withdrawal of the Auditor from the market and consider whether any mitigating action is appropriate.



- Oversee the selection and compensation process for new auditors and if auditors resign, the Committee shall investigate the issues leading to the resignation and decide whether any action is required.
- Consider and make recommendations to the BOD, to be presented to shareholders for approval at the Shareholder Meeting, in relation to the appointment, compensation and re-appointment and removal of the Company's external auditors. The external auditor shall report directly to the Committee.
- Assess independence, accountability and effectiveness of the external auditor.
- Review the external auditors proposed audit scope, plan and approach, engagement letter, letters of representation (giving particular consideration to matters that relate to non-standard issues) as well as ensure there are no unjustified restrictions or limitations on the scope of work and access to requested information.
- Review and ensure that significant findings and recommendations of the audit with the external auditors are received and discussed on a timely basis. This shall include, but will not be limited to, the following:
  - A discussion of any major issues which arose during the audit;
  - Accounting and audit judgments; and
  - Levels of errors identified during the audit.
- Ensure that Management responds to recommendations by the external auditors.
- Review all significant adjustments resulting from the external audit.
- Approve the non-audit services policy for the Company documenting the prohibited and pre-approved non-audit services that may be provided by the external auditors.
- Ensure that the external auditors do not carry out any non-audit services which may affect their impartiality or independence.
- Ensure that the external auditors attend the AGM to read their report to the Shareholders and answer their questions and queries regarding the financial statements for the year end.

**Internal Audit:**

- Monitor and review the company's internal controls and Audit management including:
  - Reviewing the internal control and Audit management systems; and
  - Considering reports from the management on the effectiveness of the systems they have established and the conclusion of any test carried out by internal or external auditors.
- Monitor and review the effectiveness of the company's internal audit function including:
  - At least annually, reviewing and approving the internal audit programme;
  - Approve the appointment, replacement, reassignment or dismissal of the Head of Internal Audit or outsourced service provider.
  - Considering the terms of reference for internal audit;
  - Reviewing internal audit reports and procedures to ensure implementation of recommendations including management responses thereto;
  - Assessing the adequacy of resourcing of the internal audit function;
  - Considering the terms of the outsourcing arrangements for the conduct of the internal audit programme; and
  - Meeting at least annually with the head of the internal audit function without management being present to discuss their remit and any issues arising from audits they have carried out. Notwithstanding that the head of the internal audit function will have direct access to the Chairmen of the Committee at all times.
- Set up an internal audit function, whether in-house or outsourced, which shall report directly to the Committee, with an administrative reporting line to the MD/GM for day to day matters as deemed appropriate.
- Review the qualifications and effectiveness of internal audit personnel.





- Review and approve the internal audit strategy, annual internal audit plan (preferably risk based) and the audit methodologies adopted by the internal audit function, and to ensure that adequate resources and budget are available for its successful completion.
- Review the activities and performance of the internal audit function and ensure there are no unjustified restrictions or limitations on the scope of work.
- The Committee is responsible for approving all reports and documentation pertaining to the Internal Audit function.
- Review internal audit and its relationship with the external auditors, including plans, performance and co-ordination of activities.
- Review the activities, resources and the operational effectiveness of internal audit, and where appropriate, make recommendations to the BOD.
- Meet separately with the Head of Internal Audit to discuss any matters that ARC or auditors believe should be discussed privately.
- Review and discuss the internal audit findings, recommendations that have been reported to management and the progress of the related corrective actions and management's responsiveness.
- Ensure audit recommendations / corrective actions are implemented by Management promptly.
- Evaluate the performance of internal audit function [internal audit assessment and external quality assurance review process at least once every 5 years] and any recommendations with respect to improving the performance of or strengthening of the internal audit function.

**Risk Management:**

- Consider, review, amend and recommend to the BOD, the Company's Risk management strategy and policy, financial policies and procedures, delegated authority levels, expenditure and tender policies.
- Consider, review, amend and recommend to the BOD, the Company's credit risk, debt levels, interest risk, liquidity risk and operational risk exposure in relation to the BOD's risk appetite and the Company's capital adequacy.
- Identify, consider and report to the BOD and thereafter inform the Management of the Company of the investment, equity and risk criteria for the Company's business and investment activities.
- Undertake Risk management audits and assessments of specific business activities of the Company both on pre and post commitment, as may be requested by the BOD from time to time.
- Review and be satisfied that the Company's risk management strategy and policies are fairly represented in the Company's Annual Report.
- Be responsible for selecting and appointing any risk management consultants who advise the Committee.

**Compliance with Corporate Policies:**

- Evaluate the adequacy and effectiveness of the Company's procedures and systems for ensuring compliance with legal and regulatory requirements and internal policies.
- The Committee shall review annually with the Internal Auditor the adequacy and appropriateness of the Company's compliance with the Corporate Policies issued from time to time as well as the Code of Conduct.
- Receive and discuss reports from management on an annual basis and/or as needed basis relating to:
  - Compliance, including regulatory and fiduciary compliance;
  - Significant reported ethics violations;
  - Fraud and operating loss;
  - Technology and information security;
  - The Company's insurance; and
  - Any other reports or documents the Committee considers appropriate.



- Ensure compliance with laws, regulations, ethical and other issues including:
  - Reviewing with the group's lawyer and others any legal, tax or regulatory matter that may have a material impact on the group's operations or financial statements;
  - Ensuring that the Company maintains suitable arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial report, or other matters and that these arrangements provide for independent investigation, appropriate follow up action and appropriate escalation to the Committee for its review;
  - Considering fraud or ethical issues;
  - In areas where the ARC has responsibility for monitor compliance with internal policies and procedures review the relevant policies annually or when there is a significant change and assess compliance with those policies on an annual basis;
  - Considering other topics as defined by the BOD;
  - Monitoring and evaluate the performance of the ARC and make recommendations to the BOD with regard to any necessary adjustments; and
  - Reporting its activities to the BOD on a regular basis and review these terms of reference on an annual basis.

**Whistle Blowing Programme:**

- ARC must review and oversee the implementation of whistle blowing programme and, ensure that whistle-blowers are heard and their rights are safeguarded.
- Review the whistleblowing complaints/allegations received by the designated contact.
- Substantiate whistleblowing complaints/allegations reported by the Designated Contact and decide on the course of action.
- Depending on the nature of investigation required, approve the internal or outsourced team to perform the investigation.
- Review the investigation report submitted and decide on the course of action to be taken, and inform the BOD, if necessary.
- Communicate to the Designated Contact and Whistle-blower, on the decision taken on the complaint/allegation after investigation, to be updated in the whistleblowing log.

**Review of Legal and Regulatory Compliance**

- The Committee shall periodically review with management, including the Legal Advisor and the Internal Auditor any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the laws, particularly the Environmental Law, Commercial Company Law and Labour Laws.
- Monitor whether regulatory returns etc., are submitted on time.
- Review the effectiveness of the system for monitoring compliance with legal and regulatory requirements and the results of management's investigations and follow-up (including disciplinary action) of any fraudulent actions or non-compliance.

- d. Number and dates of meetings held by the audit committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person.

<b>Meeting No.</b>	<b>Meeting Date</b>	<b>No. of Directors Attending in person</b>	<b>No. of Directors Attending by phone</b>	<b>No. of Directors present by proxy</b>
3	3 September 2018	1	2	None
4	27 November 2018	2	1	None



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## 7- Remuneration Nomination and Governance Committee (RNGC):

Sharaka is supervised by the parent company's committee (Naseej B.S.C.).

a. Names, competences and duties of the RNGC committee's members.

#	Name	
1	Abdulkarim Bucheery	Chairman until 28 Jun-18; left the committee Jun-18
2	Sh. Hamed AL-Khalifa	Chairman from 28 Jun-18
3	Mohammed Khalil Alsayed	Member
4	Khalil Almeer	Member
5	Dr. Abdulaziz Abul	Member until 11 Jun-18

### Duties:

#### General Responsibilities

- Have regard to the Laws of Bahrain and any approved Company policies relative to the matters under consideration;
- Carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions;
- Carry out any other responsibilities and duties delegated to it by the BOD related to the purposes of the Committee;
- Remain flexible, to best react to changing conditions and to be in the best position to ensure to the BOD and stakeholders of the Company that the Company's governance principles, policies, standards and practices are upheld and maintained in all matters before it, so as to optimally assist the BOD and the Company's Management to effectively and efficiently promote the best interests of the Company by appropriately balancing the interests of its stakeholders;
- May not delegate any of its decision making responsibilities to Management; and
- May study or investigate any matter of interest or concern that it deems appropriate or relevant to the matters before it for review.

#### Nomination responsibilities

- Evaluate and make recommendations to the BOD about:
  - The BOD's and its Committees motivations as a fiduciary of the Company, including the attendance of the members of same to the BOD's and its Committees meetings;
  - The BOD's and its Committees relevant knowledge and proficiency to be effective in its role;
  - The BOD's independence from management and other stakeholders and its accountability to the Shareholders;
  - The BOD's diligence and attentiveness in applying governance best practices and responding to the requirements of the business;
  - The BOD's oversight and monitoring of management and planning for management succession;
  - The BOD's focus on strategic critical success factors such as its most critical issues and risks;
  - The appropriateness and clarity of allocated roles and responsibilities between the BOD and management;
  - The committee TORs and their ongoing evaluation;
  - The performance of the committees relative to their TORs;
  - The BOD's performance;



- The improvements based on findings from all BOD and BOD committee performance assessments; and new or special committees of the BOD that may be necessary to properly address ethical, legal and/or other matters that may arise.
  - The adequacy of the constituent documents of the Company;
  - The attendance at meetings by members of the BOD and their Committees and the establishment of a minimum attendance requirement to provide for such continuing attendance of any of these meetings;
  - Consider, amend and review the Company's HR policies, HR Documents, employment code of ethics mandates, employment grading structure and others such related documents relating to employment and thereafter approve such documents;
  - Consider, amend and review the Company's HR budgets, recruitment strategies, recruitment procedures, recruitment programmes and organisation charts relative to the Company's business and establishment plans and others such related documents and thereafter approve such documents;
  - Interview all proposed Grade B employees recommended by the MD/GM for such positions within the Company as may be required from time to time and instruct the MD/GM, as appropriate, to appoint or decline the employment of such Grade B employees;
  - Interview all proposed temporary individual consultants, equivalent to Grade B employment status, recommended by the MD/GM for such positions within the Company as may be required from time to time and instruct the MD/GM, as appropriate, to appoint or decline the employment of such Consultants; and
  - Evaluate the MD/GM's performance in light of corporate goals and objectives; and performance of all other officers of the company in consultation with the MD/GM and the Chairperson of the Board.
- Review and recommend changes to the Board size, structure, composition, duties or meeting frequency.
  - Establish and supervise the Board's criteria, materiality thresholds and process for selecting new Directors including Independent Non-Executive Directors.
  - Each Shareholder for their respective nominee seats will identify and nominate to the Board, individuals qualified to serve as Board members of the Company, consistent with Board criteria (subject to approval of shareholders).
  - Implement procedures to secure adequate succession of Board members and the MD/GMs.
  - Provide stringent criteria for re-appointment of a Director considering performance evaluation results and independence of the Director.
  - Assess and articulate the minimum time and availability commitments to fulfil the roles, including Chairperson and non-executive directors. This should consider the maximum number of directorships on the boards of other companies that may be held by an individual.
  - Establish the decision-making process of the Board concerning potential conflicts of interest.
  - Ensure that the Secretary, on behalf of the Board, has written to all new appointees, detailing their role and time commitments, providing Charters for each committee to which they are being appointed, to undertake an induction programme and, as necessary, training, that has been produced in consultation with the Chairperson.
  - Ensure each new Director has signed their Letter of Appointment.
- Remuneration responsibilities
- Review and recommend to the BOD for their approval any salary increments and bonus awards for all levels of the staff;
  - Review and approve any unusual or special increments and/or promotions throughout the year for any member of staff;



- In relation to any bonus scheme operated by the Company, determine annual targets and key performance indicators for, and assess performance against targets and key performance indicators by (i) the Company and (ii) the MD/GM and all grade B employees;
- Approve the grant of long term incentive awards, such as share appreciation rights and performance shares, including the monitoring of any performance conditions subject to which any long term incentive awards may be granted under any schemes adopted by the Company;
- Consider and recommend to the BOD the broad policy for the remuneration and incentivisation of the MD/GM, Directors of the BOD, members of the Leadership Team of the Company's business units and corporate units and employees of the Company including the scope of annual salary increments, bonus schemes, share option schemes, termination payments and pension arrangements;
- Review the design of all share incentive schemes, including the setting of performance conditions, to be put forward for approval by the BOD and shareholders;
- Agree the policy for authorising claims for expenses from the MD/GM and the Chairperson;
- Review and be satisfied that the Company's remuneration practices and policies are fairly represented in the Company's Annual Report;
- Be responsible for selecting and appointing any remuneration consultants who advise the Committee;
- Review and recommend to the shareholders for approving the compensation policy guidelines and working instructions of the Company in particular for the Board and Executive Directors;
- Ensure that the recruitment policies of the organisation are designed to attract and retain quality staff whilst providing appropriate accountability for performance;
- Review recommendations made by the MD/GM of the Company regarding the remuneration arrangements of the Company's senior management. Specifically, in consultation with the MD/GM, the Board will:
- Review and determine the terms of the service contracts of the Company's senior management (primarily direct reports of MD/GM);
- Review any other matters related to the remuneration, long term incentives and benefits of the Company's senior management and make recommendations to the Board accordingly;
- Evaluate the MD/GM's performance in light of corporate goals and objectives; and performance of all other officers of the company in consultation with the MD/GM and the Chairperson of the Board; and
- Ensure that the employment costs of the organisation remain within agreed budgetary guidelines.

#### Corporate Governance responsibilities

- Develop and recommend written corporate governance policy / guidelines covering the matters stated in the Bahrain Corporate Governance Code and other corporate governance matters deemed appropriate by the BOD;
- Recommend to the BOD, appointment of a suitable candidate as the Secretary of the BOD and Corporate Governance Officer ("CGO") for the Company, and the job description for the positions;
- Oversee and monitor the implementation of the governance policy framework by working together with the CGO;
- Provide the BOD with reports and recommendations, based on its findings, in the exercise of its duties;
- Review the annual Corporate Governance Report prepared by the CGO, and recommend to the BOD for approval;
- Ensure that all weaknesses identified during governance audits by, the Company's internal auditor or external auditors, are rectified immediately;



- Ensure that the BOD and relevant employees of the Company are provided with training on Corporate Governance, periodically;
- Review on an annual basis the Company's compliance with the respective corporate governance rules and regulations issued by the Ministry of Industry, Commerce and Tourism and ensure that proper action is taken to implement the necessary measures to close any gaps identified;
- Review and recommend to the BOD, for submission to the Shareholders for approval, the Related Party Transactions Policy for the Company;
- Approve the related party transactions, as per the delegation of authority in place.
- The establishment of corporate governance guidelines that keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the BOD as may be appropriate, with particular relevance to developing and recommending to the BOD a Code of Conduct that complies with (applicable) values, standards and rules, that:
  - Shall address at least the following subjects: conflicts of interest; corporate opportunities; confidentiality; fair dealing; protection and proper use of company assets; compliance with laws, rules and regulations; encouraging the reporting of any illegal or unethical behavior;
  - Incorporate such issues related to the Company's senior financial officers as required by (applicable) rules;
  - At least annually, review the Code of Conduct and take such actions, as the Committee deems necessary or appropriate.
- Approving or disapproving all transactions involving the Company and any director, executive officer, senior financial officer or any related party and other questions of actual and potential conflicts of interest or appearances of impropriety or involving the Company's directors, executive officers or senior financial officers or any related party as they may arise and, when determined necessary or appropriate, to issue to such persons instructions on how to conduct himself/herself in such matters so as to ensure that the best interests of the Company are protected;
- Review the related party transactions details that will be incorporated in the Annual Report/ financial statements of the Company;
- Ensure that the external auditors perform their obligations towards related party transactions during their audit the following year;
- Review on an annual basis the Company's compliance with the BOD and BOD Committees' approved charters; and
- The Committee shall direct the Internal Auditor to conduct an annual review of compliance with the Corporate Governance Code. Any findings arising there from shall be reported by the Committee to the BOD / Shareholders.

b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

<b>Meeting No.</b>	<b>Meeting Date</b>	<b>No. of Directors Attending in person</b>	<b>No. of Directors Attending by phone</b>	<b>No. of Directors present by proxy</b>
1	26 February 2018	4	0	None
2	28 May 2018	4	0	None
4	25 November 2018	3	0	None



**8- Corporate governance officer's name, qualifications, date of appointment, and contact details.**

Name:	Mohammed Khalil Alsayed
Qualifications:	More than three decades of experience in Engineering, Project Management and Real Estate Development. Currently the Managing Director of Naseej BSC and the Chief Executive Officer of Ithmaar Development Company. •MSc in Structural Engineering from the Southern Methodist University, Texas, USA; BSc in Civil Engineering from the University of Arkansas, USA; and an Advanced Diploma in Project Management from RMIT University, Australia.
Date of Appointment:	5/9/2018
Contact Details:	Office No.17584601 Mobile No. 39684499 Email: MKAlsayed@ithmaardevelopment.com

**9- Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.**

None.

**10- Description of the cash and in-kind contributions made by the Company during the year 2018 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.**

In 2018, the company did not make any contributions.

a. Statement of shareholders' equity as of 31/12/2018 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
	<b>Local</b>	.02%	99.98%	0%	100%
	<b>Total</b>	.02%	99.98%	0%	100%



**SHARAKA**  
FOR HOUSING PROJECTS BSC (c)

- b. Description of the shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31/12/2018 as follows:

#	Name	Number of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Bahrain PPP Investment Company Ltd	249,950	99.98%	Naseej B.S.C.
2	Khalid Yusuf Janahi	50	.02%	Naseej B.S.C.

- c. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2018 as follows:

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	1	50	0.02%
2	50,000 to 500,000	1	249,950	99.98%

- h. Description of the significant events that occurred during the year 2018.

No significant event.

## 11- Compliance with the provisions of the Corporate Governance Code, as follows:

Principle	Non-compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			✓	
Principle 2: The directors and executive management shall have full loyalty to the company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.		✓		The ARC has only one independent director.
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors.			✓	





# SHARAKA

FOR HOLDING PROJECTS BSC (c)

Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.		✓		The RNGC has only two independent directors.
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a. *				

\* Applicable only to the companies offering Islamic services.

## 12- Any disclosures required by the regulatory authorities.

There are no further disclosures.

**Chairman Signature**

**Date: 09/05/2019**

**Official Seal of the Company**

