

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



# Corporate Governance Report

For the year 2021

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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 28<sup>th</sup> March 2019 (as amended) forms the cornerstone that the National Hotels Company BSC (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 an 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 practices.

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 2021.

## **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	<b>Faisal Ahmed Al Zayani</b>	Independent / non-executive	<ul style="list-style-type: none"> <li>• A reputable Businessman in the Kingdom of Bahrain</li> <li>• He holds a PhD in Management.</li> </ul>	30/4/1983	31/3/2024	NIL	NIL
2	<b>Adel Nuhaba Hamada</b>	Non-executive	<ul style="list-style-type: none"> <li>• Currently serving as the Director of Investment Accounting Department at the Kuwait Investment Authority.</li> <li>• Has extensive experience in Business Management.</li> <li>• 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.</li> <li>• Held the position of Senior Accountant at Kuwait Real Estate Investment Group.</li> <li>• 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.</li> </ul>	28/3/2018	31/3/2024	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	<b>AbdulAziz Abdullah Alisa</b>	Non- executive	<ul style="list-style-type: none"> <li>• Currently serving as the Executive Director of Legal Affairs and Secretary of the Board of Directors of the Social Insurance Authority.</li> <li>• Holds a Basic Supervision Diploma from the University of Bahrain and a Bachelor of Law from the University of Beirut.</li> </ul>	29/3/2013	31/3/2024	NIL	NIL
4	<b>Meshari Zaid Al Khalid</b>	Non- executive	<ul style="list-style-type: none"> <li>• Currently serving General Manager of Al-Khalid International Group, Kuwait.</li> <li>• Has extensive experience in the Business Management.</li> <li>• 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.</li> <li>• Holds a Bachelor's Degree in Commerce from the college of Business Administration, Cairo University.</li> </ul>	27/3/2002	31/3/2024	NIL	NIL
5	<b>Faisal Yousif Al Meshari</b>	Non- executive	<ul style="list-style-type: none"> <li>• Currently serving Assistant General Manager for Investment and corporate Finance at the Kuwait Investment Company.</li> <li>• Senior Manager within the Business Development Department at the Kuwait Investment Company.</li> <li>• Held the position of Financial Analyst at Kuwait and Middle East Financial Investment Company.</li> <li>• Holds a Bachelor's Degree in finance from the Administrative Sciences College - University of Kuwait.</li> </ul>	28/3/2018	31/3/2024	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		
6	<b>Elham Adel Ahmed</b>	Non-executive	<ul style="list-style-type: none"> <li>Senior Investment manager within the strategic investments department at Osool Asset Management BSC(c).</li> <li>Held the position of Financial Analyst at Bahrain National Holding Company.</li> <li>Held the position of financial analyst at Ithmaar Development Company.</li> <li>A Chartered Financial Analyst (CFA) and a holder of a Bachelor's Degree in Banking and Finance from the University of Bahrain.</li> </ul>	28/3/2018	31/3/2024	NIL	NIL
7	<b>Shehab Ahmed Haji</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently works as an investment manager in the General Reserve Sector at the Kuwait Investment Authority.</li> <li>Held several positions in various banking fields, most notably the position of Relationship Officer at Gulf Bank in Kuwait.</li> <li>Holds a Bachelor's Degree in financing and management of financial institutions - the College of Administrative Sciences from the University of Kuwait.</li> </ul>	28/3/2018	31/3/2024	NIL	NIL
8	<b>Abdulrahman Ali Marshad</b>	Independent / non-executive	<ul style="list-style-type: none"> <li>Held the Position of Chief Executive Officer at National Hotels Company B.S.C. (1979 to 2017)</li> <li>Has extensive experience in the Hospitality sector and assets management field for more than 35 years.</li> </ul>	28/3/2019	31/3/2024	NIL	NIL

**B. Description of the following:**

1. The directors' remuneration for the past year (2020) was BD 40,000.
2. The total directors' remuneration proposed for the current year (2021) is BD 53,100, which will be presented at the Annual General Meeting for approval.
3. The following is a list of the committee attendance fees of the respective directors for the financial year 2021:

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 /-	4
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 /-	5
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 2021, the Board of Directors of the Company held six meetings to follow up on its activities and to direct the Executive Management. The first meeting was a physical meeting held at the Company premises. The latter four meetings were held virtually, with partial physical attendance by some members. The following table summarizes the information about the dates and member attendance of those meetings.

**Board of Directors Meeting Schedule:**

<b>Meeting Number</b>	<b>Date of Invitation</b>	<b>Date of the meeting</b>	<b>Attendance</b>	<b>Number of Absence</b>
1	31/1/2021	18/2/2021	7	1
2	8/4/2021	29/4/2021	8	-
3	4/7/2021	29/7/2021	8	-
4	5/9/2021	23/9/2021	7	1
5	21/10/2021	11/11/2021	8	-
6	5/12/2021	23/12/2021	8	-

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

There were no Board of Directors specific tasks of 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**

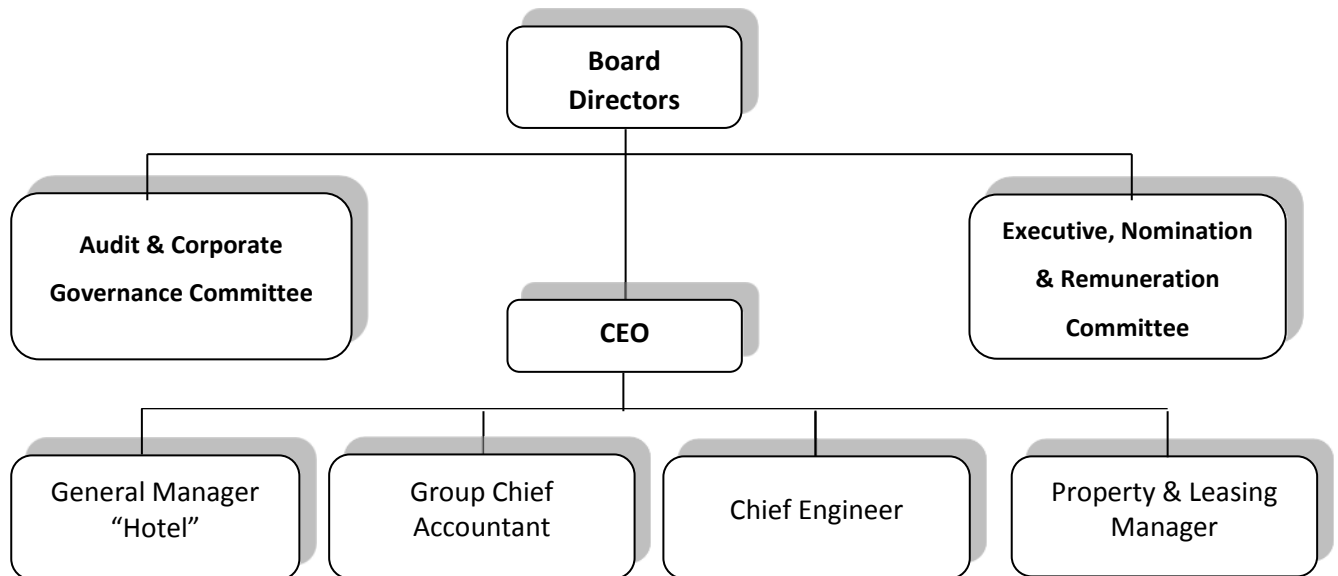
Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved 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:

<b>Related parties</b>	<b>Purchases</b>	<b>Fees for Management services</b>	<b>Other expenses</b>	<b>Revenue and other income</b>
	<b>Bahraini Dinar</b>			
Shareholder	-	-	-	612,744
Associate company	63,414	-	-	700
Management Company (Rezidor)	-	86,748	44,527	-
Directors	-	-	120,800	1,501
<b>Total</b>	<b>63,414</b>	<b>86,748</b>	<b>165,327</b>	<b>614,945</b>



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



**G.** Total remunerations paid to the executive management during the financial year (2021) amounted to **168,409/-** Bahraini Dinars.

**4- External Auditor**

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 25/3/2021 appointed Ms. "KPMG" as the external auditor of the Company for the financial year ended 31/12/2021, at an agreed fee of BD 14,500/-, which includes the review of quarterly data for the period.

Ms. "KPMG" have been the external auditor of the company since 2020. The external auditor has submitted an unqualified opinion for the year 2021 to the Board of Directors, which will be presented at the Ordinary General Assembly to be held on 31/3/2022.

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:

<b>Name of Audit firm</b>	KPMG
<b>Years of service as the company's external auditor</b>	2 years
<b>The partner in charge of the company's audit</b>	Mr. Jaafar Al Qubaiti
<b>Total audit fees for the financial statements for the year 2020 (BD)</b>	14,500/- BD
<b>Other special fees and charges for non-audit services other than auditing the financial statements for the year 2020 if any. In the absence of such fees, this shall be expressly stated.</b>	3,000/- BD

## **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				
				17/2/2021	28/4/2021	28/7/2021	10/11/2021	22/12/2021
1	Meshari Zaid Al Khalid	Chairman of the Audit & Corporate Governance Committee	5	*✓	*✓	✓	✓	✓
2	Abdulrahman Ali Marshad	Member	5	✓	✓	✓	✓	✓
3	Elham Adel Ahmed	Member	5	*✓	*✓	*✓	*✓	*✓
4	Shehab Ahmed Haji	Member	5	*✓	*✓	✓	✓	✓

\* *Virtual Attendance*

## **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 in 2019. The Committee resumed its duties and conducted its meetings during 2021.

## **7- Corporate Governance Officer**

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

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](mailto:zalajjawi@nhcbahrain.com).

## **8- Irregularities committed during the Financial Year**

No irregularities have been committed during the financial year 2021.

## **9- Cash and in-kind contributions to Charities & National Establishments**

The Company provided many cash contributions to different charities and national establishments reaching a total of BD 45,000/- in 2021. The Company maintains the details of these donations and details of the receiving parties within its records.

## **10- Shareholders Information**

A. The following table presents the Company's shareholder distribution by type of shareholder as of 31 December 2021:

No.	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organisations	Total
1	Local	12.24%	1.78%	32.15%	46.17%
2	Arab	-	0.05%	53.78%	53.83%
3	Foreign	-	-	-	-
<b>Total</b>		<b>12.24 %</b>	<b>1.83%</b>	<b>85.93%</b>	<b>100%</b>

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 of 31 December 2021:

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 of 31 December 2021:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	<50,000	3,842	3,403,656	2.81%
2	50,000 to 500,000	20	3,065,224	2.53%
3	500,000 to 5,000,000	10	10,589,435	8.73%
4	>5,000,000	3	104,216,685	85.93%
<b>Total</b>		<b>3,875</b>	<b>121,275,000</b>	<b>100.00%</b>

D. Significant events that occurred during the year 2021:

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.		✓		<p>Subsection 1 requires that at least half of the directors shall be non-executive directors and at least three shall be independent. Subsection 5 requires that at least one third of the Board shall consist of independent directors.</p> <p>All of the eight Board members are non-executive, whilst only two are independent members. The Company's Articles of Association states that six of the eight Board members are appointed by the three key shareholders (i.e. two members each). Therefore, the Company is not in full compliance with this requirement due to the board construct.</p> <p>More importantly, the majority shareholders represent Government Bodies who exercise utter vigilance in ensuring that a strong code of governance is implemented and minority interests are safeguarded at all times. Finally, and under the current circumstances, limited size of operations and level of business complexity, the board does not see a compelling need to appoint a third independent director. Instead, it adopts other measures to ensure independence of decisions and the protection of its minority shareholders, such as; periodic independent audits and reviews conducted by professional companies, transparency of reporting and disclosure to shareholders, emphasis on implementing sound ethics and independent decision / judgement by the Executive Management, etc.. As a result, the Board does not perceive a dilution of the independence and objectivity of the Board or its committees.</p>

<b>Principle</b>	<b>Non-compliant</b>	<b>Partially Compliant</b>	<b>Fully Compliant</b>	<b>Explanation in case of non-compliance</b>
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.		✓		Subsection 1 requires that the Audit Committee should consist of at least three directors and majority of them are independent, including its Chairman. Currently, the Audit Committee is composed of four directors, one of whom is independent. However, the current Chairman of the Audit Committee is a non-independent director. All non-independent directors represent Government Bodies, exercising prudence and high levels of ethics. The Board is of the opinion that this does not necessarily dilute the corporate governance standards set or implemented.
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors		✓		Subsection 1 requires that the Nomination Committee should consist of at least three directors and majority of them are independent, including its Chairman. Currently, the Nomination Committee is composed of three directors, however, none of them are independent. Directors represent Government Bodies, exercising prudence and high levels of ethics. The Board is of the opinion that this does not necessarily dilute the corporate governance standards set or implemented.
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.			✓	

<b>Principle</b>	<b>Non-compliant</b>	<b>Partially Compliant</b>	<b>Fully Compliant</b>	<b>Explanation in case of non-compliance</b>
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

In light of the COVID-19 pandemic, and the resultant impact on businesses within the Kingdom, the Central Bank of Bahrain (“CBB”) has issued its letter dated 14<sup>th</sup> July 2020 (ref. OG/259/2020) requesting all listed companies to prepare and disclose an additional report that highlights the impact of COVID-19 on their respective operations (“Supplementary Disclosure – Financial Impact of COVID-19”).

Accordingly, the Company has prepared and shared the Supplementary Disclosure – Financial Impact of COVID-19 for the respective periods (1<sup>st</sup> Quarter, 2<sup>nd</sup> Quarter, 3<sup>rd</sup> Quarter and Year-end 2021). These reports have been published on the Bahrain Bourse website.



**Chairman Signature**

**Date: 24/02/2022**



**Official Seal of the Company**