

Julphar

الخليج للصناعات الدوائية
Gulf Pharmaceutical Industries

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Gulf pharmaceutical Industries (Julphar)

Corporate governance for the year ended on 31 December 2020



1) The procedures taken by the Company to complete the corporate governance system during 2020

Gulf Pharmaceutical Industries (Julphar), one of the leading pharmaceutical companies in the Middle East and Africa, is always keen to draw inspiration from best international models, practices and standards. It seeks to play a part in the UAE's vision to build a strong and coherent economy.

In 2020, Julphar celebrated its 40th anniversary since its establishment in 1980 under the directives of the late Sheikh Saqer Bin Mohammed Al Qasimi. Over four decades, Julphar has provided effective solutions to improve and protect the health of people in the Gulf region and the world.

The Company has implemented the standards of corporate discipline and governance in accordance with the Resolution of the Chairman of Authority's Board of Directors' of the Securities and Commodities Authority Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide. As part of this process, the Company reformed its Board Committees in line with the aforementioned Resolution and the Company is in the process of amending its Articles of Association and taking the required measures to reflect the same.

We have developed a corporate governance system that covers the Company's Management, shareholders, employees, and clients, in addition to associate companies. We confirm our commitment to transparency and to objectivity and periodically review the Company's policies to ensure that they are in line with the governance system and the approved Governance Manual. Recently, Julphar contracted with a third-party company to develop the corporate governance framework to be applied in the Company to comply with the corporate governance rules and companies' law, as well as international best practices. The process involved reviewing and updating committee charters and the corporate governance manual, in addition to reviewing the current system of the delegation of authority, under the supervision of the Audit Committee. The process was completed in 2020.

The Board of Directors works closely, through the Audit Committee, with external auditors to issue transparent and reliable reports by adhering to International Financial Reporting Standards (IFRS). In addition, the Board of Directors, through its subcommittees, is also responsible for the internal control system and risk management, as well as the internal audit structure to ensure full compliance with laws, regulations and Julphar policies.

2) A statement of ownership and dealings of the members of the Board of Directors, their spouses and their children in the Company's securities during 2020.

No.	Name	The position/ relative relation	The owned shares as on 31/12/2020	Total sale	Total purchase
1	Sheikh / Saqer bin Humaid Al Qasimi	Chairman	0	158,448	158,448
2	Mr. Yousef Ali Mohamed	Deputy Chairman	0	0	0
3	Mr. Abdulaziz Abdullah Al-Zaabi	Board Member	0	0	0
4	Mr. Khalid Abdullah Al Abdullah	Board Member	0	0	0
5	Mr. Jamal Salem Al-Nuaimi	Board Member	402,341	0	0
6	Mr. Raman Garg	Board Member	0	0	0
7	Dr. Ali Hussein Al-Zawawi	Board Member	0	0	0
8	Mr. Abboud Bejjani	Board Member	0	0	0
9	Dr. Medhat Abu Al-Asrar Al-Jamal	Board Member	0	0	0

During 2020, Company shares were not traded by any of the spouses and/or children of the members of the board of director, nor did they own any securities in it.

3) Formation of the Board of Directors

- The Board of Directors of the Company consists of (9) members. The Chairman and the majority of the members are ci of the United Arab Emirates.
- In the Company's Board of Directors Meeting No. (2), held on Thursday, March 12, 2020, the resignation of Mr. Manoj Gandhi from the membership of the Board of Directors was approved and Mr. Raman Garg was appointed as a member of the Board of Directors to succeed him until the end of the term of the Board.
- At the Annual General Assembly meeting held on Thursday, April 9, 2020, the following board members were elected for a period of 3 years:

- 1) Sheikh Saqer bin Humaid Al Qasimi.
- 2) Mr. Yousef Ali Mohamed
- 3) Mr. Abdulaziz Abdullah Salem Al-Zaabi.
- 4) Mr. Jamal Salem Ibrahim bin Darwish Al-Nuaimi.
- 5) Mr. Khaled Abdullah Yusef Al-Abdullah.
- 6) Mr. Razi Adel Ahmed Dolani.
- 7) Dr. Ali Hussein Ali Al-Zawawi.
- 8) Dr. Medhat Abu Al-Asrar Salama Al-Jamal.
- 9) Mr. Raman Garg

- In the Company's Board of Directors Meeting No. (5), held on August 11, 2020, the resignation of Mr. Razi Adel Dolani from the membership of the Board was approved and Mr. Abboud Bejjani was appointed as a member of the Board of Directors to succeed him until the end of the term of the Board. Mr. Razi Adel Dolani was also appointed as an independent member of the Audit Committee.

a) A statement on the formation of the current Board of Directors:

No.	Name	Category (executive, non- executive, and independent)	Experiences and qualifications	The period he served as a member of the Board of Directors from the date of his first election	Their memberships and positions in any other joint stock companies	Their positions in any other important Regulatory, governmental or commercial positions
1	Sheikh Saqer bin Humaid Al Qasimi	Non independent and non-executive	Bachelor of Finance Experience in financial markets Experience in the military field	Thirteen years	N/A	N/A
2	Mr. Yousef Ali Mohamed	Independent and non-executive	Bachelor's degree in Accounting, more than 23 years of experience in many sectors such as petroleum companies, telecommunications and other sectors in which he held multiple positions	Four years	RAK Ceramics	General Manager of the Financial Department, Ras Al-Khaimah Government
3	Mr. Abdulaziz Abdullah Al-Zaabi	Independent and non-executive	Bachelor's degree in International Commerce, University of San Jose, California, USA	Four years	Chairman of the Board of Directors of Gulf Investment Vice Chairman of Ras Al Khaimah Properties	Chairman of the Board of Directors of Ras Al Khaimah Charity Association

4	Mr. Khalid Abdullah Al-Abdullah	Non independent and non-executive	Bachelor's degree in Business Administration from the University of Arkansas in the United States of America, more than 29 years of experience in finance, strategy, entrepreneurship and public relations	One year and eight months	Member of the Board of Directors of Ras Al Khaimah Ceramics	Executive member of the boards of directors of RAKEZ, FTI, RAK AMI Hotel Ras Al Khaimah Center for Statistics and Studies and Ras Al Khaimah Chamber of Commerce and Industry Founder of invest KAY, CEO, and Board Member of Majan Printing and Packaging
5	Mr. Jamal Salem Al-Nuaimi	Independent and non-executive	Bachelor in Commerce and Accounting, Beirut Arab University. 25 years' experience in the banking sector, 10 years' experience in the boards of directors of public joint-stock companies	Seven years	N/A	N/A
6	Mr. Raman Garg	Independent and non-executive	Certified Public Accountant CA India 30 years of experience in international and private investment funds and multinationals, such as Sequoia Capital, Max New York Life	11 months	N/A	Chief Financial Officer of Al Hamra Group

			Insurance , Coca-Cola, Pepsico, , Akzo Nobel and others			
7	Dr. Ali Hussein Al-Zawawi	Non Independent and non-executive	Bachelor of Pharmacy 1991, Multiple experiences in membership of pharmaceutical companies in each of the Kingdom of Saudi Arabia and some Arab countries	Sixteen years	N/A	advisor to His Excellency the President of the General Authority for Food and Drug in the Kingdom of Saudi Arabia
8	Mr. Abboud Bijjani	Non-independent and non-executive	Master in Finance - Saint Joseph University - Lebanon Advanced management program (AMP199) - Harvard Business School - Boston During previous periods, he held several positions on boards of directors and senior management in international pharmaceutical companies		N/A	He currently holds several positions and is the managing partner of Infomed International, and the chairman of the Board of Directors of Eastern Mediterranean American
9	Dr. Medhat Abu Al-Asrar Al-Jamal	Non-independent and non-executive	Bachelor of Pharmaceutical Sciences 40 years of experience in Pharmaceuticals sales and distribution	22 Months	N/A	General Manager, Health Care Administration, Sekala Group, Kingdom of Saudi Arabia

b) A statement of the percentage of women's representation in the Board of Directors for the year 2020

Currently, there is no representation of women at the current period of the Board.

c) A statement of the reasons for the non-nomination of any women component of the Board of Directors

There are no reasons that prevents the candidacy for membership of the Board and Julphar always encourages the participation of women in the Board because of the importance of the diversity and experiences it would bring to the board. The candidacy for membership of the Board of Directors was opened in the current Board session, and members were elected on April 9, 2020, but no female member was nominated in the new formation. Julphar's Board of Directors certainly encourages qualified women candidates to submit their nominations in the next sessions.

d) A statement on the following:

1. Statement of the total remunerations of the members of the Board of Directors paid for the year 2019.

In the Company's annual general meeting held on April 9, 2020, the Board of Director's proposal not to distribute the remuneration of the members of the Board of Directors for the fiscal year ending on December 31, 2019, was unanimously approved.

2. Statement of the total remunerations of the members of Board of Directors proposed for the year 2020, which will be presented at the annual general meeting for approval.

The Board's remunerations item will be presented and discussed in the agenda of the General Assembly for voting at its proposed meeting during the year 2021, along with the Board's proposal recommending the non-distribution of the remuneration of Board members for the year 2020 given the losses.

3. Details of the allowances, salaries, or additional fees that a member of the Board of Directors received other than the allowances for attending the sessions of committees, and the reasons for paying the same

A fee of 300,000 dirhams was paid to the board member, Dr. Ali Al-Zawawi, in return for special tasks assigned to him by the Company's Board of Directors during 2020.

4. A statement of the details of the allowances for attending the meetings of the Committees emanating from the Board that were received by the members of the Board of Directors for the fiscal year 2020

No allowances were paid for attending the sessions of the Board committees during 2020.

e. The number of board meetings held during the fiscal year 2020

Board meetings are held in the presence of the majority of the members. During 2020, six Board meetings were held. The following are the dates of the Board meetings and a statement of the personal attendance of all Board members:

No.	Date of the meeting	Numbers of attendance	The number of attendance by proxy	The names of the absent members
1	16/01/2020	8	-	Mr. Khaled Abdullah Yusuf
2	12/03/2020	9	-	-
3	19/04/2020	9	-	-
4	21/05/2020	9	-	-
5	11/08/2020	9	-	-
6	12/11/2020	9	-	-

f) The number and dates of Board resolutions issued by passing during Fiscal year 2020

During 2020, Board members issued Resolution No. 1 of 2020 by circulation on June 15, 2020, and the Resolution was included in the subsequent Board meeting held on August 11, 2020.

g) A statement of the duties and powers of the Board of Directors carried out by one of the Board members or the Executive Management during 2020 based on a mandate from the Board

In 2020, Powers of Attorneys and Delegations of Authority have been issued by the Board of Directors and the Executive Management with respect to the ordinary business and operational activities of the Company.

h) A statement of the details of the transactions made with the related parties (stakeholders) during 2020:

No.	The related party	The nature of the relationship	Type of transactions	Value of transaction
1	Planet Pharmacies	Associate Company	Sales	78,892,288
			Collections	- 91,607,736
			Expenditures and other transactions	-2,062,205
2	Planet Pharmacies - Oman	Associate Company	Sales	23,603,981
			Collections	-13,849,548
			Expenditures and other transactions	-4,349,493
3	Julphar Egypt	Subsidiary	Sales	76,927,717
			Purchases	-789,480
			Collections	-48,368,974
			Expenditures and other transactions	3,980,170
4	Julphar Ethiopia	Subsidiary	Sales	2,042,379
			Collections	-2,042,379
			Expenditures and other transactions	
5	Alpha Pharma	Subsidiary	Sales	12,880
			Collections	-22080
6	Gulf Inject	Subsidiary	Purchases	-1,257,772
			Expenditures and other transactions	-154,995
7	Majan for Printing & Packaging	Related Company	Purchases	-5,832,543
			Payments	6,965,647

i) The current organizational structure of the Company

Julphar – Organizational Structure



j) A detailed statement of the senior executives in the first and second grade according to what was stated in the organizational structure of the Company, their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them:

Julphar's executive management manages the daily business in accordance with the responsibilities and tasks assigned to it, within the framework of the rules of governance and the provisions of the Articles of Association, and powers delegated to it by the Company's Board of Directors. It carries out its tasks and duties according to the mechanism set to achieve the planned goals. The CEO is responsible along with the executive management staff for implementing the approved strategies and policies to achieve the Company's goals. He is responsible towards the Board of Directors for the implementation of the effective internal control system and for the implementation of all recommendations related to it by auditors and external oversight bodies, as well as by the Board and The Committees emanating from it.

The following table shows the senior executives in the first and second grade as at the end of 2020:

No.	Position	Date of appointment	Total salaries and allowances paid for the year 2020 (AED)	Total bonuses paid in 2020 (AED)	Any other cash / in-kind bonuses for the year 2020 or due in the future (end of service benefits and other benefits)	Date of resignation
1	Chief Executive Officer	05/04/2020	2,678,597	-	-	
2	Chief Financial and Strategy Officer	01/10/2019	1,437,512	-	-	
3	Chief Commercial Officer	03/08/2020	382,500	-	-	
4	Chief Scientific Officer	15/04/2020	697,667	-	-	
5	Chief Quality Officer	28/04/2019	852,000	-	-	
6	Chief Human Resources Officer	03/05/2020	399,948	-	-	
7	General Counsel and Head of Compliance	01/09/2020	294,500	-	-	
8	Technical Operations Manager	08/09/2019	820,000	-	-	
9	Previous chief Scientific Officer	25/06/2019	12,069	-	129,792	31/01/2020

4) **The external auditor**

a) **Overview of the Company's auditor**

M/S Ernst and Young were re-appointed as the Company's auditor for the year 2020, against a fee of AED 470,000. Ernst and Young is one of the largest professional services companies and one of the big four audit firms in the world. It has presence in more than 140 countries around the world, and is a leading Company in the field of providing audit services, professional and tax consulting. It has been operating in the UAE since 1966.

b) **Statement of fees and costs for the audit or the services provided by the external auditor.**

The policy of appointing an auditor is followed pursuant to the rules of the governance system. This policy defines the framework, scope and powers of the external auditor, and ensures complete independence to carry out the task assigned to them. It also sets the conditions that must be met for the selection of the

auditor, where the Board of Directors shall submit its recommendations to the General Assembly to select the auditor and approve its annual fee.

The Audit Committee supervises the tender that is being placed to appoint the Company's external auditor, followed by an interview with the auditor in charge in order to ensure his experiences and knowledge of the tasks that will be assigned to him. The Committee then submits its recommendations to the Board, which in its turn submits the appointment proposal to the General Assembly for approval.

Below is a statement of the fees and costs for the audit or services provided by the Company's auditors:

The name of the audit firm and the name of the partner in charge	Ernst & Young, responsible auditor, Mr. Nabil Ghodbane
Number of years spent as an external auditor for the Company:	Two years
Number of years the partner auditor spent auditing the Company's accounts	Two years
Total audit fees for the (interim and annual) financial statements for the year 2020 (AED):	Annual audit fee of AED 275,100. Interim audit fees of AED 195,000.
Fees and costs of other services other than auditing the financial statements for the year 2020	AED 7,875
Details and nature of other services provided	The report of the cash dividends made for August 2020
Other services provided by another auditor during 2020	
Name of the auditor: Details of services provided:	M/S Grant Thornton Consulting services of AED 146,150
Name of the auditor: Details of services provided:	M/S Deloitte & Touche Consulting services of AED 628,230

c) Reservations that the Company's auditor made in the interim and annual financial statements for the year 2020

The external auditor made a qualified opinion in its report on the financial statements for Q1 of 2020, is as follows

Basis for Qualified Opinion

As disclosed in note 6 to the interim condensed consolidated financial statements, the Group's investment in Planet Pharmacies L.L.C. ("Planet") which is a 40% owned associate of the Group, is carried at AED 267.3 million in the interim condensed consolidated statement of financial position as at 31 March 2020 (31 December 2019: AED 264.5 million), and the Group's share of Planet's net profit of AED 2.8 million (31 March 2019: share of net loss of AED 3.5 million) is included in Group's interim condensed consolidated statement of profit or loss for the three months then ended. Due to the ongoing and previous legal cases and other conditions described in note 6, the audit of the consolidated financial statements of Planet for the years ended 31 December 2018 and 31 December 2019 were not completed for both statutory and Group reporting purposes. Hence, we were unable to perform necessary review procedures on the carrying amount of the Group's investment in Planet as at 31 March 2020, 31 December 2019 and 31

December 2018 and the Group's share of results from Planet for the said periods/years, neither were we able to perform procedures relating to review of opening balances, transactions and disclosures.

Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary.

Our review conclusion for the interim condensed consolidated financial statements and the audit opinion on the consolidated financial statements of the Group as at 31 March 2019 and 31 December 2019 respectively, were also qualified for the above matter.

Qualified Opinion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with IAS 34.

5) The Audit Committee

a) Acknowledgment by the Chairman of the Audit Committee of his responsibility for the Committee's system in the Company and for his review of its work mechanism and verification of its effectiveness.

Mr. Yousif Ali Mohamed, Chairman of the Audit Committee, acknowledges his responsibility for the Committee's system in the Company and for his review of its work mechanism and ensuring its effectiveness.

b) Names of members of the Audit Committee, and clarifying its terms of reference and tasks assigned to it

The Audit Committee carries out its activities in accordance with what is stipulated in Article No. (61) of Resolution No. (3 / B.C) of 2020 regarding the Approval of the Governance Manual for Public Joint Stock Companies. The main tasks, responsibilities and powers of the Audit Committee are to monitor and review the financial statements as well as the internal control and risk management systems of the Company, and make the necessary recommendations for the Board of Directors regarding the internal control systems of the Company. The Committee also deals with organizing the contract and dealing with the Company's external and internal auditors, as well as its main role in ensuring the Company's commitment to implementing all approved operational and financial policies and procedures.

The Committee was re-formed in Board of Directors Meeting No. (5) of 2020, held on Tuesday, August 11, 2020, and accordingly the Audit Committee is composed of the following members:

- Mr. Yusuf Ali Muhammad, Chairman of the Committee
- Mr. Abdulaziz Abdullah Al-Zaabi, Committee Member
- Mr. Raman Garg, Committee Member
- Mr. Razi Adel Ahmed Dolani, Committee Member from outside the Company's Board of Directors

c) Number of meetings held by the Audit Committee in 2020

During 2020, The Committee held eight meetings, and the table below show the dates of the Audit Committee's meetings and the number of personal attendance times for all The Committee members.

No.	Date	Attendees	Absentees (who apologize)	Purpose of the meeting
1	06/02/2020	All members	-	Discussing financial statements and other matters
2	03/03/2020	All members	-	Discussing financial statements and other matters
3	07/05/2020	All members	-	Discussing financial statements and other matters
4	02/07/2020	All members	-	Discussing financial statements and other matters
5	04/08/2020	All members	-	Discussing financial statements and other matters
6	06/08/2020	All members	-	Discussing financial statements and other matters
7	04/11/2020	All members	-	Discussing financial statements and other matters
8	08/11/2020	Three members	Mr. Raman Garg	Discussing financial statements and other matters

6) Nomination and Remuneration Committee

a) Acknowledgment by the Chairman of the Nominations and Remunerations Committee of his responsibility for the Committee's system in the Company and for his review of its work mechanism and verification of its effectiveness.

Mr. Khaled Abdullah Al-Abdullah, the Chairman of the Nominations and Remunerations Committee, acknowledges his responsibility for The Committee's system in the Company and for his review of its work mechanism and ensuring its effectiveness.

b) Names of members of the Nominations and Remunerations Committee, and a description of its responsibilities and tasks assigned to it.

The Nomination and Remuneration Committee conducts its business according to the provisions of Article (59) of the Authority Board's Resolution No. (3 / RM) of 2020 regarding the Approval of the Governance Manual for Public Joint Stock Companies. The Committee's tasks, responsibilities and powers are mainly represented in determining the package of individual and total remunerations for the members of the Board of Directors, in accordance with the approved procedures. It is also responsible for developing the remuneration policy for the executive management related to the performance of the Company. The Committee is also responsible for preparing and reviewing human resources policies in accordance with the relevant laws and regulations, and the Committee supervises the procedures for nominating members of the Board of Directors, the basis and the conditions for their selection. The Nominations and Remunerations Committee was re-formed at the Board Meeting No. (5) of 2020, which was held on Tuesday, August 11, 2020. The Nominations and Remunerations Committee consists of the following members:

- Mr. Khaled Abdullah Al-Abdullah, Chairman of the Committee
- Mr. Raman Garg, Committee Member
- Mr. Jamal Salem bin Darwish Al-Nuaimi, Committee Member

c) A statement of the number of meetings held by the Committee during 2020

The meetings of the Nominations and Remunerations Committee and the number of times of personal attendance of all members of the Committee as follows:

No.	Date	Attendees	Absent members
1	30/06/2020	All members	-

7) The Supervision and Follow-up Committee of Insiders' Transactions

a) Acknowledgement by the chairman of the Committee or the person authorized to be responsible for the system of the Committee in the Company and for reviewing its work mechanism and ensuring its effectiveness.

Mr. Mohamed Odeh acknowledges his responsibility for the system of monitoring and supervising the transactions of insiders' dealings in the Company and for his review of its work mechanism and ensuring its effectiveness

b) Names of the members of the Supervision and Follow-up Committee of Insiders' Transactions, and a description of its responsibilities and tasks assigned to it.

The Supervision and Follow-up Committee for Insiders' Transactions was formed in line with the corporate governance system and it carries out its functions and responsibility under the supervision of the Audit Committee and consists of the following members:

1. Mohamad Ahmad Odeh, Chairman of the Committee
2. Hessa Ali Al-Shehhi, Committee Member

The tasks of the Supervision and Follow-up Committee for Insiders' Transactions are:

1. Compliance with the resolutions of the Securities and Commodities Authority, Abu Dhabi Securities Exchange, and the amendments stated therein.
2. It is responsible for overseeing the transactions and properties of the insiders, maintaining the record, and submitting periodic statements and reports to the market.
Updating the list of insiders in case of a change in it, and inform the concerned authorities accordingly.

c) A summary of the Committee's work report for the year 2020.

The Committee periodically updates the list of Company' insiders and provides it to the Abu Dhabi Securities Exchange. The Committee adheres to the decisions of the authority, the market and the related amendments issued.

8) Any committee or committees approved by the Board of Directors

In the Board of Directors Meeting No. (5) of 2020, which was held on Tuesday, August 11, 2020, the Company formed other committees beside the permanent committees, namely the Strategy and Investment Committee and the Quality and Technology Committee, and the Executive Committee was canceled.

The previous Executive Committee held two meetings during 2020, on 06 May 2020 and 22 July 2020, in the presence of all its members.

1. Strategy and Investment Committee

a) Acknowledgment by the Chairman of Strategy and Investment Committee of his responsibility for the Committee's system in the Company and for his review of its work mechanism and ensuring its effectiveness.

Mr. Raman Garg, Chairman of the Committee, acknowledges his responsibility for the Committee's system in the Company and for his review of its work mechanism and ensuring its effectiveness.

b) The name of the Committee and its members:

The Strategy and Investment Committee is a committee emanating from the Julphar Board of Directors and was formed at the Board of Directors meeting held on August 11, 2020. It consists of the following members:

- Mr. Raman Garg - Chairman of the Committee
- Mr. Abboud Bijjani - Committee Member
- Dr. Ali Hassan Al-Zawawi and Mr. Jamal Salem bin Darwish Al-Nuaimi, are invited to attend periodically at the Committee's meetings

c) The main tasks and responsibilities of the Strategy and Investment Committee are:

The Strategy and Investment Committee replaced the Executive Committee in the tasks entrusted to it. It serves as a link between the Company's Management and the Board of Directors, by adopting executive decisions on issues referred to the committee within the scope of its competencies. The Committee's competencies include, but is not limited to, the following:

- Review and approve strategies by the Board of Directors. Develop and monitor compliance with relevant legislation and regulations; Oversee initiatives that are likely to have a material impact from an organizational or competitive perspective or on the Company's reputation and others.
- Review, approve and recommend the Company's annual business plan and budget for approval by the Board of Directors. Supervise and evaluate the Company's performance against the business plan and submit recommendations to the Board of Directors.
- The Committee is also responsible for reviewing contracts of strategic importance and other essential matters related to accounting and finance as well as approving such matters in line with the limits afforded to it in the Committee Charter.
- Other responsibilities include reviewing reports and economic feasibility studies, assessing investment risks and approving or rejecting them before submitting them to the Board of Directors for approval, and monitoring important strategic projects and transformation initiatives, discussing and approving studies and management recommendations regarding participation or making direct or indirect investments, as permitted by the Articles of Association of the Company.
- Perform any other work assigned to it by the Company's Board of Directors.

d) A statement of the number of meetings held by the Committee during 2020 and the dates of its meetings and the number of times of personal attendance of all committee members:

No.	Date	Attendees	Absent members
1	21/09/2020	All members	-
2	24/11/2020	All members	-
3	30/11/2020	All members	-
4	20/12/2020	All members	-

2. Quality and Technical Committee:

a. Acknowledgment by the Head of the Quality and Technology Committee of his responsibility for the Committee's system in the Company and for his review of its work mechanism and ensuring its effectiveness.

Dr. Ali Al-Zawawi, Chairman of the Committee, is responsible for the Committee's system in the Company and for his review of its work mechanism and ensuring its effectiveness

b. The name of the committee, names of its members, and a statement of its functions and tasks assigned to it

The Quality and Technology Committee is a committee emanating from the Julphar Board of Directors, and was formed in the Board of Directors meeting held on Tuesday 11 August 2020. It consists of the following members:

- Dr. Ali Al-Zawawi - Chairman of the Committee
- Dr. Medhat Abu Al-Asrar - Committee Member
- Mr. Abboud Bijjani - Committee Member

c. Statement of tasks and main functions of the Quality and Technology Committee:

The Quality and Technology Committee emanating from the Board of Directors contributes to fulfilling the Board supervisory responsibilities regarding quality, compliance issues, and scientific and technical orientation.

The Committee's duties include, but is not limited to, the following:

- Reviewing the efficiency and effectiveness of the company's strategies and practices regarding quality compliance with laws and regulations.
- Periodically review reports on important compliance matters with stakeholders in the Company's Quality and Compliance department.
- The Committee is responsible for the primary supervision of all areas of quality and compliance issues (non-financial compliance).
- Supervising the company's innovations and product-line strategies, as well as assessing the competitive position of the company's pharmaceutical portfolio and potential new treatments, following up the company's approach to developing new markets and following up on the company's effectiveness in the scope of research, development and intellectual property.
- Review the development and implementation of key business policies by management, including security and safety policies, quality assurance and control policies, corporate social responsibility policies, regulatory affairs policies, production policies, and others.
- Follow the tasks and duties assigned to it by the Board of Directors from time to time.

d) A statement of the number of meetings held by the Committee during 2020 and the dates of its meetings and the number of times of personal attendance of all committee members:

No.	Date	Attendees	Absent members
1	22/09/2020	All members	-
2	11/11/2020	All members	-
3	23/12/2020	Two members	Dr. Medhat Abu Al-Asrar

9) The internal control system

a) Acknowledgment by the Board of its responsibility for the Company's internal control system and for its review of its work mechanism and ensuring its effectiveness:

The Board of Directors acknowledges its responsibility for the internal control system in Julphar and its review of the mechanism of the internal control system, and to ensure its effectiveness through the work and the tasks of the Committees emanating from it. The Internal Control Department of Gulf Pharmaceutical Industries (Julphar) organizes the procedures of internal audit and control and following up on external audit work, which is an important part of implementing an effective internal control system in addition to implementing the governance rules. The Internal Control Department operates under the supervision and follow-up of the Board's Audit Committee, and its role is represented by the following:

- Ensuring the correctness of work procedures in the administrative and financial departments.
- Verify the effectiveness and efficiency of financial, administrative and technical performance.
- Follow-up and resolve the problems and correcting the errors discovered during work.
- Verifying the commitment of the Company and its employees to the provisions of applicable laws, regulations and decisions that organizes its work.
- Contributing to development of the financial and administrative departments by providing recommendations and suggestions to those who are related in the Company
- Ensuring the application of internal policies and procedures.
- Reviewing the financial statements that are presented to the Company's Board of Directors.

b) Name of the Manager of the Internal Control Department, his qualifications and the date of his appointment

The Internal Control Department of the Company is headed by Mr. Mohamed Odeh since 2011. He holds a Bachelor's degree in Accounting in 1998, and Arabic Certified Public Accountant certificate (ACPA) in 2002 and a member of the Arab Society of Certified Accountants, and has long experience in the field of auditing.

c) The name of the compliance officer, his qualifications and date of appointment

In September of the year 2020, Mr. Adel Khalaf was appointed as General Counsel and Chief Compliance Officer. He holds a degree in civil law from Laval University, Quebec, Canada, and a master's degree in business administration from London Business School, United Kingdom, and a Juris Doctor in law from the University of Ottawa, Ontario, Canada. He is a member of the Bar of Quebec and Ontario, Canada, and of the Bar of New York State, USA.

He has experience in commercial and quality compliance and legal experience of more than 10 years in various sectors

d) How the Internal Control Department deals with any major problems in the Company or those that are disclosed in the annual reports and accounts

In the event of problems or irregularities, the internal control policy requires immediate reporting to the Audit Committee and the Senior Executive Management about these problems and how to resolve them and activate the procedures and controls that prevent such problems occurring in the future.

The problems faced the Company and disclosed in the financial statements during the year are as follows:

- 1) Regarding to the Associated Company, Planet Pharmacies, and the control of one of the legal shareholders of the two subsidiaries of Planet in the Kingdom of Saudi Arabia, which led to the inability of the external auditor to obtain financial information for these two subsidiaries for the year 2018 and 2019 despite the issuance of a court ruling in favor of Planet, but the external auditor is still awaiting the approval of the competent authorities to end the audit work for the year 2018 and then 2019.

During the second quarter of the year 2020, this problem was solved, and this was reflected in the financial statements for the second quarter of 2020 and beyond, as the auditor canceled its aforementioned reservation.

- 2) Regarding to the accumulated losses of the Company, which led to the uncertainty of the external auditor that the Company is able to continue its activities.

The Company overcame this problem during the second and third quarter of 2020 by extinguishing the accumulated losses and increasing the capital, and accordingly, the auditor canceled the reservation mentioned in the financial statements for the third quarter of 2020.

What helped to solve the problem of accumulated losses and the external auditor's note, as above, was that the Company had solved technical problems related to the ban on exporting its products to the market of the Kingdom of Saudi Arabia and the Gulf countries, and resumed exports in the second quarter of 2020.

e) The number of reports issued by the Internal Control Department to the Company's Board of Directors.

During 2020, several reports were issued and submitted to the Audit Committee, which in turn made the necessary recommendations to the Board of Directors.

- 2 special case audit reports
- 4 external audit reports
- 4 follow-up reports for the Financial Department

10) Violations committed during 2020 and how to resolve them and avoid their recurrence in the future.

The Company did not commit any violations during 2020 relating to Quarterly Financial Reports and the Annual Financial Statement as well as any other disclosures.

11) A statement of the cash and in-kind contributions made by the Company during 2020 in developing the local community and preserving the environment.

Julphar's support for community members through scholarships for university students during 2020 amounted to AED 124,900.

The Company has made contributions for the year 2020, which are drugs donated to charities valued at AED 1,282,946

Out of its belief of the importance of the environment and its preservation, Julphar has undertaken several endeavors during 2020, including, but not limited to:

1. Periodic training for service employees on how to preserve the environment and quickly get rid of environment harmful causes.
2. Under the directives of the concerned authorities, the Company contracted with licensed companies to transport and destroy invalid medicines and raw materials, according to the requirements of the competent authorities.
3. A contract has been signed with a specialized Company to dispose of medical wastes resulting from manufacturing medicines in ways that ensure the preservation of the environment.
4. Cooperation has been made with an entity to establish special dumpsites for the daily disposal of consumable materials such as food waste, oils and cardboard waste.
5. A contract has been signed with a specialized Company to sterilize all the Company's buildings and departments against the new Covid-19 on a weekly basis.

12) General information

a) A statement of the Company's share price in the Abu Dhabi Securities Exchange during 2020

Closing Price	Lowest price	Heights price	Month
0.950	0.950	0 correct	01
0.935	0.935	0.945	02
0.760	0.960	0.945	03
0.690	0.604	0.749	04
1.030	0.703	1.030	05
1.140	1.140	1,720	06
1.130	1.070	1,360	07
1.300	1.080	1.300	08
1.370	1.240	1.400	09
1.490	1.350	1.490	10
1.450	1.360	1.500	11
1.330	1.330	1.450	12

b) A statement of the comparative performance of the shares of the Company with the general market index and the sector index of the Company during 2020

Industrial sector index	The general index Abu Dhabi Securities Market	The Company's share price	Month
1317.24	5,156.13	0.950	01
1351.96	4,901.42	0.935	02
1,068.21	3,734.68	0.760	03
1,132.57	4,230.37	0.690	04
1,197.57	4,141.61	1.030	05
1,266.44	4,285.79	1.140	06
1,233.51	4,304.73	1.130	07
1,373.93	4,519.32	1,300	08
1,425.51	4,518.06	1,370	09
1,437.14	4,660.04	1,490	10
1,496.64	4,964.93	1.450	11
1,603.41	5,045.31	1,330	12

c) A statement of shareholders' ownership distribution as on 31/12/2020 (individuals, companies, governments) classified locally, Arab and foreign

No.	Classification of the shareholder	The percentage of shares held			
		Individuals	Companies	Government	Total
1	UAE National	26.91	33.16	12.24	72.31
2	Arab	13.14	11.82	0	24.96
3	Foreign	0.42	2.31	0	2.73
	Total	40.47	47.29	12.24	100

e) A statement of the shareholders who own 5% or more of the Company's capital as of 31/12/2020

No.	Name	Numbers of owned shares	The percentage of owned shares of the Company's capital
1	Middle East Pharma Investments	249,218,798	21.57
2	The Government of Ras Al-Khaimah	141,400,221	12.24
3	Arab Company for Drug Industry and Medical Appliances (ACDIMA)	105,713,772	9.15
4	Yasser bin Youssef bin Mohammed Naghi	103,970,503	9.00
5	Sheikh Faisal bin Saqer bin Muhammad Al Qasimi	85,238,219	7.38
6	Mohammed Abdulaziz Rabee Shaheen Al-Muhairi	82,652,611	7.15
	Total	716,409,361	66.50

e) A statement of how shareholders are distributed according to their equity as on 31/12/2020

No.	Share ownership (share)	Numbers the shareholders	Numbers of owned shares	The percentage of shares owned by the capital
1	Less than 50,000	1,272	6,295,587	0.54
2	From 50,000 to less than 500,000	172	29,473,954	2.55
3	From 500,000 to less than 5,000,000	69	93,888,954	8.13
4	More than 5,000,000	19	1,025,569,316	88.78
	Total	1,532	1,155,227,811	100.00

f) A statement of the procedures taken regarding investor relations regulations

The Company has a section for investors' relationships in order to provide all the facilities, services and information required by investors. The page of the investor relationships has been updated to enable easy access to the data of the Company and all related information for the investor relationships department as below:

- The name of the Investor Relations Officer: Hessa Alshehhi
- Phone No. +97172045273
- Email: investors@julphar.net
- The link for the Investor Relations page: <http://www.julphar.net/en/investors>

g) The special decisions that were presented in the General Assembly held during 2020 and the procedures taken in their regard

After discussing the items on the agenda of the Company's General Assembly held on April 9, 2020, special resolutions No. 10, 11, 12 and 13 were discussed.

(10) Subject to the approval of Resolution (11) below, it is hereby resolved to approve the reduction of the Company's capital by canceling a number of the Company's shares equal to the value of accumulated losses reflected in the financial statements for the year ending on December 31, 2019, and granting the Company's Board of Directors full powers to implement capital reduction procedures in accordance with the provisions of the Commercial Companies Law and the executive decisions of the Securities and Commodities Authority.

Under a special resolution, 75.31% of the present shares approved the reduction of the Company's capital by canceling a number of the Company's shares equivalent to the value of the accumulated losses reflected in the financial statements for the year ending on December 31, 2019 amounting to AED 503,274,989, and granting the Company's Board of Directors full powers to implement capital reduction procedures in accordance with the provisions of the Commercial Companies Law and the Executive Decisions of the Securities and Commodities Authority, subject to the approval of Resolution No. 11 below.

(11) Subject to the approval of Resolution (10) above, it is hereby resolved to approve the Board of Directors' proposal to increase the issued capital of the Company up to a maximum of AED 500 million ("capital increase") through the issuance of new shares with a nominal value of one AED (1); and to grant the Company's Board of Directors full powers to implement capital increase procedures and to determine

the final value of the amount of the increase (“the amount of the increase”) and the number of new shares that will be issued in accordance with the provisions of the Commercial Companies Law and the Executive Decisions of the Securities and Commodities Authority. The Company's Board of Directors was also entrusted with full powers to contend with what was subscribed for in the final capital increase by the holders of subscription rights without offering the remainder of the increase for public subscription.

Under a special resolution, 77.76% of the present shares approved the Board of Directors' proposal to increase the issued capital of the Company up to a maximum of AED 500 million (“capital increase”) through the issuance of new shares with a nominal value of one AED (1); and to grant the Company's Board of Directors full powers to implement capital increase procedures and to determine the final value of the amount of the increase (“the amount of the increase”) and the number of new shares that will be issued in accordance with the provisions of the Commercial Companies Law and the Executive Decisions of the Securities and Commodities Authority. The Company's Board of Directors was also entrusted with full powers to contend with what was subscribed for in the final capital increase by the holders of subscription rights without offering the remainder of the increase for public subscription, subject to the approval of Resolution 10 above.

(12) Amending Article 6 of the Company's Articles of Association to reflect the amendment of the Company's capital.

Under a special resolution, 86.55% of the shares present approved the amendment of Article 6 of the Articles of Association of the Company to reflect the amendment of the Company's capital.

(13) Authorizing the Company's Board of Directors and anyone authorized by the Board of Directors to take all necessary measures and steps to allow the Company to complete the capital reduction and capital increase, including making the required amendments to the Company's Articles of Association.

Under a special resolution, 86.55% of the shares present agreed to authorize the Company's Board of Directors and any person authorized by the Board of Directors to take all necessary measures and steps to allow the Company to complete the capital reduction and capital increase, including making the required amendments to the Company's Articles of Association.

The Company followed the procedures required to implement the special resolutions issued in the General Assembly's meeting, and the following were done:

- 1) In May 2020, the Company's capital was reduced by canceling a number of the Company's shares equal to the value of the accumulated losses shown in the financial statements for the financial year ending 21/12/2019 and amounting to AED 503,200,000 (Five hundred and three million two hundred thousand dirhams), thus reducing the Company's capital from AED 1,158,502,800 (One billion one hundred fifty-eight million five hundred two thousand eight hundred dirhams) to AED 655,227,811 (Six hundred and fifty five million two hundred twenty-seven thousand eight hundred and eleven dirhams).

Accordingly, Article 6 of the Company's Articles of Association has been amended to reflect the amendment of the Company's capital.

- 2) In July 2020, the Company's capital was increased from AED 655,227,811 (Six hundred and fifty-five million two hundred twenty-seven thousand eight hundred and eleven dirhams) to AED 1,155,227,811 (One billion one hundred and fifty-five million two hundred twenty-seven thousand eight hundred and eleven dirhams) by issuing 500,000,000 (Five hundred million) new shares.

Accordingly, Article 6 of the Company's Articles of Association has been amended to reflect the amendment of the Company's capital.

h) The Rapporteur of the Board of Directors meetings

Pursuant to Article (8) of the Chairman of Authority's Board of Directors' Resolution No. (03 / B.C) of 2020 regarding the approval of the Corporate Governance Manual for Public Joint Stock Companies, Ms. Rayan Omar was appointed as the Board Secretary in February 2021. Rayan has a legal background, particularly in international corporate governance, in addition to being a governance professional. She has gained her experience over the past six years in matters related to corporate governance, boardroom reporting, and corporate restructuring, and is a member of the ICSA Chartered Governance Institute, as well as the Institute of Directors in the UK.

Statement of duties of the reporter of board meetings:

The Board Secretary will perform the tasks assigned to her in accordance with the provisions of Resolution No. (03 / B.C) of 2020 regarding the approval of the Corporate Governance Manual for Public Joint Stock Companies, in addition to other tasks that will be assigned to her based on the instructions of the Board of Directors of the Company.

i) A detailed statement of the significant events and important disclosures encountered by the Company during 2020.

- 12/03/2020** Disclosure of the resignation of the member of the Board of Directors, Mr. Manoj Gandhi, and the appointment of Mr. Raman Garj as a member of the Board of Directors to succeed Mr. Manoj Gandhi.
- 18/03/2020** Julphar announced that its products will be available again in Oman after the successful inspection of Julphar's manufacturing facilities by the Gulf Health Council.
- 05/04/2020** Disclosure of a change in the Company's administrative structure with the appointment of the new CEO, Mr. Dr. Essam Farouk.
- 09/04/2020** Julphar obtained the approval of the General Assembly on the proposal of the Board of Directors to reduce the Company's capital by cancelling a number of the Company's shares equal to the value of the accumulated losses reflected in the financial statements for the year ending on December 31, 2019, which amount to AED 503,274,989; and then increasing the issued capital of the Company to a maximum of 500 million dirhams by issuing new shares with a nominal value of one AED (1).
- 30/04/2020** Julphar announced the resumption of exports to the Kingdom of Saudi Arabia. This announcement comes after the successful inspection of Julphar's manufacturing facilities by the Saudi Food and Drug Authority (SFDA).
- 03/05/2020** Disclosure of a change in the administrative structure of the Company with the appointment of the new scientific head, Mr. Dr. Ragheb Shakhshir.
- 10/05/2020** Disclosure of a change in the Company's administrative structure with the appointment of the Chief Human Resources Officer, Mr. Gopa Kumar.
- 21/05/2020** Julphar announced a capital reduction of 503,274,989 shares and amending Article 6 of the Company's Articles of Association to reflect the reduction.
- 02/06/2020** Julphar invited the shareholders to subscribe to new shares by issuing subscription rights

- 09/06/2020** The Gulf Health Council has lifted the temporary suspension on the export of Julphar products to Bahrain and Kuwait
- 26/07/2020** Julphar announced the increase of the Company's capital to 1,155,227,811 shares through the issuance of 500,000,000 new shares.
- 04/08/2020** Disclosure of a change in the Company's administrative structure with the appointment of the new Chief Commercial Officer, Mr. Amgad Thabet.
- 11/08/2020** Disclosure of the resignation of the member of the Board of Directors, Mr. Razi Adel, and the appointment of Mr. Abboud Bejjani as a member of the Board of Directors to succeed Mr. Razi Adel.
- 01/09/2020** Disclosure of a change in the Company's administrative structure with the appointment of the new General Counsel and Compliance Officer for the Company, Mr. Adel Khalaf.
- 14/12/2020** Julphar celebrated its 40th anniversary since its establishment in 1980 under the directives of the late Sheikh Saqr Bin Mohammed Al Qasimi.

j) A statement of the transactions carried out by the Company during 2020 that are equal to 5% or more of the Company's capital

The Company did not make any deals during 2020 equal to 5% or more of the Company's capital

k) A statement of Emiratization percentage in the Company at the end of the years 2018, 2019, 2020

The number of the Company's employees who are citizens of the United Arab Emirates by the end of the years 2018, 2019, 2020 is as follows:

Year	Number of employees	Percentage
2018	184	6.53 %
2019	161	6.55 %
2020	148	6.21 %

l) A statement of the projects and the innovative initiatives undertaken by the Company or being developed during 2020.

Since 2020 was an exceptional year due to the COVID-19 pandemic, the Company contend itself with previous initiatives and projects and did not seek to prepare any innovative initiatives during 2020.

**Chairman
of the Board of Directors**



**Chairman of the
Audit Committee**



**Chairman of
the Nominations and
Remunerations Committee**



**Internal Control
Manger**



Date: / /

Date: / /

Date: 28/3/2021

