

# Julphar

الخليج للصناعات الدوائية  
Gulf Pharmaceutical Industries

Gulf pharmaceutical Industries (Julphar)

Corporate governance for the year ended on 31 Desember 2019



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## 1) The procedures taken by the company to complete the corporate governance system during 2019

Gulf Pharmaceutical Industries (Julphar), the leading pharmaceutical industries company in the Middle East and Africa, has been keen to draw inspiration from best models and practices from international and global standards and seeks to be part of the UAE's vision to build a strong and coherent economy.

The company has implemented the standards of corporate discipline and corporate governance based on the decision of the Chairman of the Board of Directors of the Securities and Commodities Authority.

We also developed a corporate governance system between the company's management, shareholders, employees, and customers in addition to related companies, and we confirm our commitment to transparency and objectivity and periodically review the company's policies to ensure that they are appropriate to the governance system and the approved governance manual.

In December 2018, Julphar contracted with an external company to develop the corporate governance system applied in the company to fit with the corporate governance Rules and companies law as well as with international best practices as well as reviewing and updating committee charters and corporate governance guide in addition to reviewing the current system of delegation of Authorities, under the supervision of the audit committee, and it is expected that this project will be completed during the year of 2020.

During 2019, the company adopted procedural policies for issuing, approving and disclosing financial statements, as well as issued the draft of charters for the board committees and a draft governance guide in both Arabic and English.

The Board of Directors works closely, through the Audit Committee, with the 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 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 2019.

No.	Name	The position/ relative relation	The owned shares as on 31/12/2019	Total sale	Total purchase
1	Sheikh / Saqr bin Humaid Al Qasimi	Chairman of Board of Directors	0	0	0
2	Mr. Youssef Ali Mohamed	Deputy Chairman of the Board	0	0	0
3	Mr. Abdulaziz Abdullah Al-Zaabi	Member of the Board of Directors	0	0	0
4	Mr. Khalid Abdullah Al Abdullah	Member of the Board of Directors	0	0	0
5	Mr. Jamal Salem Al-Nuaimi	Member of the Board of Directors	400,000	0	39,500
6	Mr. Razi Adel Ahmed Dolani	Member of the Board of Directors	0	0	0
7	Mr. Ali Hussein Al-Zawawi	Member of the Board of Directors	0	0	0

No.	Name	The position/ relative relation	The owned shares as on 31/12/2019	Total sale	Total purchase
8	Mr. Manoj Kumar Gandhi	Member of the Board of Directors	0	0	0
9	Mr. Medhat Abu Al-Asrar Al-Jamal	Member of the Board of Directors	0	0	0

### 3) Formation of the Board of Directors

The Board of Directors of the company consists of (9) members, and during the months of March and April 2019, 7 members of the company's board of directors resigned out of 9 members, which led to a call to a general assembly to fill vacancies in the board's seats. Accordingly, the Board of Directors was restructured, as the following five members were elected by acclamation at the General Assembly meeting held on 18/04/2019:

- 1) Sheikh / Saqr bin Humaid Al Qasimi.
- 2) Mr. Youssef Ali Mohamed
- 3) Mr. Abdulaziz Abdullah Al-Zaabi.
- 4) Mr. Khalid Abdullah Yusuf Al Abdullah.
- 5) Mr. Razi Adel Ahmed Dolani

The two members of the Board of Directors Mr. Manoj Kumar Gandhi and Mr. Medhat Muhammad Abu Al-Asrar Salama Al-Jamal were appointed in the board meeting held on 25/04/2019. and after which they were approved to be appointed in the vacant positions for the membership of the Board of Directors at the General Assembly meeting held on 01/07/ 2019 and with this the quorum of the board was completed through the election and appointment of 7 new members and two previous members are: Mr. Jamal Salem Bin Darwish Al-Nuaimi and Dr. Ali Hussein Al-Zawawi.

### 3A) a formation statement of the current Board of Directors:

No.	Name	Category (executive, non-executive, and independent)	Experiences and qualifications	The period he spent 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 / Saqr bin Humaid Al Qasimi	Non independent	Bachelor of Finance Experience in financial markets	Twelve years	N/A	N/A



		and non-executive	Experience in the military field			
2	Mr. Youssef Ali Mohamed	Independent and non-executive	Bachelor's degree in Accounting, more than 22 years of experience in the field of auditing, accounts and investigations in major companies such as: Etisalat, National Drilling Company, Dubai World, Meraas Holding, Abu Dhabi Water and Electricity Authority	Three years	N/A	General Manager of the Financial Department, Ras Al-Khaimah Government. Member of the Board of Directors of Ras Al-Khaimah Holding Company for Hotels. Member of the VAT Council
3	Mr. Abdulaziz Abdullah Al-Zaabi	Independent and non-executive	Bachelor's degree in International Commerce, University of San Jose, California, USA	Three 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 28 years of experience in finance, strategy, entrepreneurship and public relations	10 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	Six years	N/A	N/A

			years experience in the boards of directors of public joint-stock companies			
6	Mr. Razi Adel Ahmed Dolani	Independent and non-executive	Bachelor's degree in accounting, and Certified Public Accountant (CPA)	10 Months	N/A	Head of the audit department at the Investment and Development Office - Ras Al Khaimah Government
7	Mr. Ali Hussein Al-Zawawi	Independent and non-executive	Bachelor of Pharmacology / King Saud University, 25 years experience in the pharmaceutical field	Fifteen years	N/A	N/A
8	Mr. Manoj Kumar Gandhi	Non-independent and non-executive	Master of Business Administration, Certified Public Accountant, 22 years experience		N/A	Head of the Financial and Administrative Planning Department at Investment and Development Office - Ras Al Khaimah Government Member of the Board of Directors of Ras Al Khaimah International Airport Member of the Board of Directors of the associate, Plant Pharmacies
9	Mr. Medhat Abu Al-Asrar Al-Jamal	Non-independent and non-executive	Bachelor of Pharmaceutical Sciences 40 years of experience in Pharmaceuticals sales and distribution	Ten Months	N/A	General Manager, Health Care Administration, Sekala Group, Kingdom of Saudi Arabia

### 3.b) A statement of the percentage of women's representation in the Board of Directors for the year 2019

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

### 3. T) 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 women participation in the Board because of the importance of the diversity of experiences, and the door to candidacy for the



membership of the Board of Directors was opened in April 2019, but no women component was nominated in the new formation. Julphar's board of directors certainly encourages qualified women candidates to submit their nominations when the door to candidacy for the company's board membership is opened during the year 2020.

### 3.s.1) Statement of the total remunerations of the members of the Board of Directors paid for the year 2018.

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, 2018, as in the company's annual general meeting held on 01/07/2019, was unanimously approved.

### 3.s.2) Statement of the total remunerations of the members of board of directors proposed for the year 2019, 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 alleged meeting during the year 2020.

### 3.s.3) 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 2019, according to the following schedule:

Allowances for attending committee meetings were spent during the meetings held in the first four months of 2019, but due to the financial losses incurred to the company, it was decided to stop the payment of the allowances for attending the meetings of the committees emanating from the Board as of the second quarter of 2019 until further notice.

The table below shows the previous committees of the Board of Directors and the allowances that were paid before being reconstituted

No.	Name	Allowances of the attendance of the meetings of committees emanating from the Borad		
		Name of the committee	Value of the allowance	Numbers of the meetings
1	Mr. Hassan Ahmad Al-Alekim Al-Zaabi - Chairman of the previous committee	Nominations and Remunerations Committee	30,000	3
2	Sheikh / Saqr Bin Humaid Al Qasimi - Member of the previous committee	Nominations and Remunerations Committee	10,000	2
3	Mr. Ahmed Salem Abdullah Al Hosani - member of the previous committee	Nominations and Remunerations Committee	5,000	1
4	Mr. Yusuf Ali Muhammad - Chairman of the previous committee	The Audit Committee	10,000	1
5	Mr. Ahmed Salem Abdullah Al Hosani - member of the previous committee	The Audit Committee	0	0
6	Mr. Ahmed Mansour - Member of the previous committee from outside the Board of Directors	The Audit Committee	5,000	1
7	Dr. Ali Hussein Al-Zawawi, Chairman of the previous committee	executive committee	20,000	2



No.	Name	Allowances of the attendance of the meetings of committees emanating from the Borad		
		Name of the committee	Value of the allowance	Numbers of the meetings
8	Sheikh / Abdullah Bin Faisal Al Qasimi - Member of the previous committee	Name of the committee	Value of the allowance	Numbers of the meetings
9	Sheikh / Saqr Bin Humaid Al Qasimi - Member of the previous committee	executive committee	10,000	2
10	Mr. Abdulaziz Abdullah Al-Zaabi - member of the previous committee	executive committee	10,000	2
11	Mr. Jamal Salem Al-Nuaimi - Member of the previous committee	executive committee	5,000	1

During the year 2019, all the committees emanating from the Board, which are the Nominations and Remunerations Committee, the Audit Committee and the Executive Committee, were reconstituted in the Board of Directors meeting held on 25/04/2019 and the number of meetings and allowances was as follows:

No.	Name	Allowances of the attendance of the meetings of committees emanating from the Council		
		Name of the committee	Value of the allowance	Numbers of the meetings
1	Mr. Khalid Abdullah Al-Abdullah - Chairman of the Committee	Nominations and Remunerations Committee	0	2
2	Mr. Manoj Kumar Gandhi - Member of the Committee	Nominations and Remunerations Committee	0	2
3	Dr. Ali Hussein Al-Zawawi - member of the Committee	Nominations and Remunerations Committee	0	2
4	Mr. Yusef Ali Muhammad - Chairman of the Committee	The Audit Committee	10,000	9
5	Mr. Razi Adel Ahmad Dolani - member of the Committee	The Audit Committee	5,000	9
6	Mr. Medhat Muhammad Abu Al-Asrar Al-Jamal - Member of the Committee	The Audit Committee		0
7	Mr. Manoj Kumar Gandhi - Chairman of the Committee	executive committee		8
8	Mr. Abdulaziz Abdullah Al-Zaabi - member of the Committee	executive committee	8	0
9	Dr. Ali Hussein Al-Zawawi - member of the Committee	executive committee	6	0
10	Mr. Jamal Salem Al-Nuaimi - Member of the Committee	executive committee	6	0

### 3. D.4) Details of the additional allowances, salaries, or fees that a member of the Board of Directors obtained other than the allowances of the attendance of the committees and their reasons.

Allowances of 110,000 dirhams were paid to a member of the Board of Directors, Dr. Ali Al-Zawawi against a variety of work assignments during 2019.

### 3.c) The number of Board Meetings which had been held during the fiscal year 2019

Board meetings are held in the presence of the majority of members. In the fiscal year ending on 31 December 2019, ten board meetings were held. The following are the dates of the Board meetings and a statement of the number of personal attendance times for all Board members:

No.	Date of the meeting	Numbers of attendance	The number of attendance by proxy	The names of the absent members
1	2019/02/07	9	-	-
2	2019/04/18	7	-	2 seats vacant
3	* 2019/04/25	7	-	-
4	2019/05/05	9	-	-
5	2019/05/29	7		MS / Khaled Abdullah Al-Abdullah and Medhat Abu Al-Asrar
6	2019/07/01	9	-	-
7	2019/07/28	7		MS/ Manoj Gandhi and Razi Adel Ahmed Dolani
8	2019/09/08	9	-	-
9	2019/09/29	8		Mr/ Manoj Gandhi
10	2019/11/07	9	-	-

\* Two new members were appointed at the Board of Directors meeting to fill the vacancies.

### 3. h) The number of Board resolutions issued by passing during Fiscal year 2019

The company's board of directors made three passing decisions during the year 2019

No.	Number of the resolution	Date of issuing
1	Resolution by passing No. (1) of 2019	2019/02/21
2	Resolution by passing No. (2) of 2019	2019/06/16
3	Resolution by passing No. (3) of 2019	2019/11/12

### 3.g) A statement of the duties and authorities of the Board of Directors carried out by one of the Board members or the Executive Management during the year 2019 based on a mandate from the Board

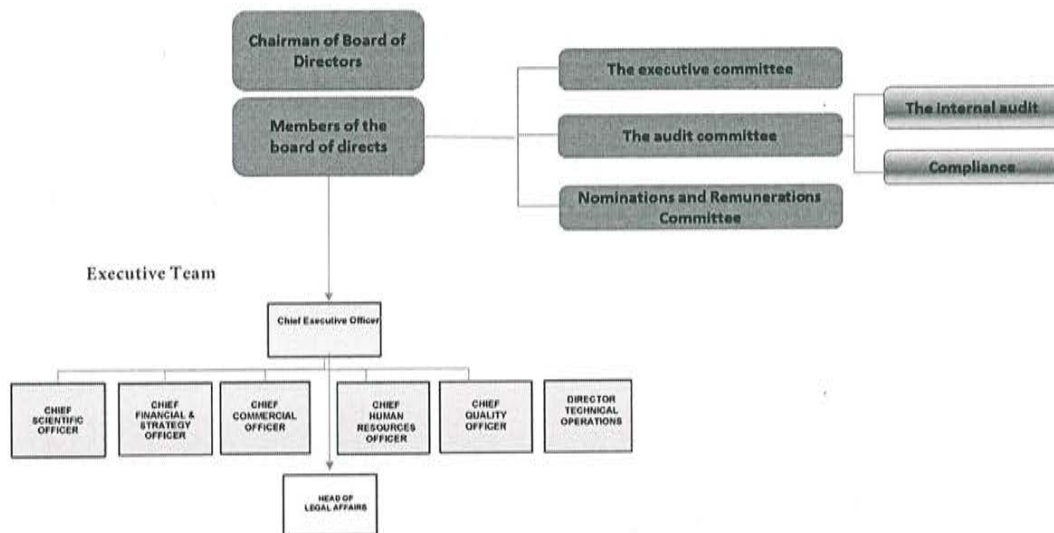
The Board of Directors did not authorize any of its members or the Executive Management during the year 2019 for any its tasks or responsibilities belong to the board.



**3.d) A statement of the details of the transactions made with the related parties (stakeholders) during the year 2019:**

No.	The related part	The nature of the relationship	Type of transactions	Value of the transactions
1	Planet pharmacies	Associate company	sales	20,892,705
			Other transactions	(4,629,063)
			Collections	(108,112,472)
			Free goods shipments	166 million
2	Julphar Egypt	Subsidiary	sales	42,368,276
			Other transactions	(4,841,660)
			Collections	(42,999,725)
			Purchases	(2,245,727)
			Free goods shipments	14.4 million
3	Julphar Ethiopia	Subsidiary	sales	944,745
			Other transactions	(15,513)
			Collections	(3,505,886)
4	Julphar Bangladesh	Subsidiary	sales	785,165
			Other transactions	7,137
			Collections	(792,302)
5	Gulf Inject	Subsidiary	Purchases	(1,687,709)
			Payments	2,016,727
6	Julphar KSA	Subsidiary	sales	54,464
8	Magan for Printing & Packaging	Related company	Purchases	(4,529,216)
			Payments	4,057,753

### 3. y) the current organizational structure of the company



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### 3.r) 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 continue managing 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 authorities delegated to it by the company's board of directors, and carry out its work tasks according to the mechanism

to achieve the planned goals. The CEO is responsible for the operational and administrative operations of the company, as well as contributing and directing periodically and effectively to develop and improve the performance; also, he is responsible with the executive management staff for implementing the approved strategies and policies to achieve the company's goals. He is responsible in front of 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 2019:

No.	Position	Date of appointment	Total salaries and allowances paid for the year 2019 (AED)	Total bonuses paid in 2019 (AED)	Any other cash / in-kind bonuses for the year 2019 or due in the future (end of service benefits and other benefits)	Date of resignation
1	Chief Financial and Strategy Officer	2019/10/1	372,682	-	-	-
2	Chief Quality Officer	2019/04/28	583,000	-	-	-
3	Director Technical Operation	2019/09/08	259,333	-	-	-
4	Chief Human Resources Officer	2019/05/06	Delegated by Investment and Development Office-Government of Ras Al Khaimah			
5	Previous CEO	2017/01/08	1,567,922	165,000	277,714	2019/12/07
6	Previous chief Scientific Officer	2019/06/25	530,923	-	-	2020/01/31
7	Previous Chief Commercial Officer	2018/02/04	572,700	-	150,981	2019/10/10
8	Previous Head of Legal Affairs	2019/05/05	609,629	-	-	2019/12/23
9	Previous Acting Chief Financial Officer	2017/05/29	219,333	-	290,990	2019/04/04
10	Previous Executive Director	2003/05/25	454,048	-	-	2019/07/17

#### 4) The external auditor

##### 4. a) Overview of the company's auditor

Ms/ Ernst and Young were appointed as the external auditor for the year 2019 to replace the former external auditor Ms/ PricewaterhouseCoopers. Ernst and Young is one of the largest professional services companies and one of the big four audit firms in the world and is present in more than 140 countries around the world, and is a leading company in the field

of providing audit services, professional consulting and tax. And it has been operating in the UAE since 1966. Ernst & Young has been appointed at the General Assembly held on 01/07/2019.

Ernst and Young had services other than external auditing, which is preparation a report related to undistributed cash dividends for the years since the incorporation until March 1, 2015, and this as per request of the Securities and Commodities Authority, and the fees paid to MS/ Ernst and Young is an amount of 45,000 dirhams.

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

According to the rules of corporate governance, a policy of appointing the external auditor is followed, which defines the framework, scope, and responsibilities of the external auditor, with ensuring the complete independence for conducting of their business. And specifying the qualifications that must be met for the selection of the auditor, whereby the Board of Directors shall submit its recommendations to the General Assembly to select the auditor and approve his annual fees.

The audit committee supervises the tender that is being proposed 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. Then the committee 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 Ghodhbane
Number of years spent as an external auditor for the company:	One year
Total audit fees for the financial statements for the year 2019 (AED):	AED 445,000
Fees and costs of other services other than auditing the financial statements for the year 2019 (AED)	AED 45,000
Details and nature of other services provided	The report of the undistributed cash dividends for the previous years up to March 1, 2015
Other services provided by another auditor during 2019	
Name of the auditor:	MS/ Deloitte
Details of services provided:	Professional consultations in cost of 97,000 dirhams

#### 4.c) Reservations that the company's auditor included in the interim and annual financial statements for the year 2019

The external auditor issued a qualified reports during the year 2019 and below are the qualifications stated in the financial statements as on 31 December 2019, which is a repetition of the qualifications in his previous reports in the year 2019:



## ***Qualified Opinion***

We have audited the consolidated financial statements of Gulf Pharmaceuticals Industries P.S.C. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## ***Basis for Qualified Opinion***

As disclosed in note 11 to the 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 264.5 million in the consolidated statement of financial position as at 31 December 2019 (2018: AED 283.7 million), and the Group’s share of Planet’s net loss of AED 19.2 million (2018: share of net profit of AED 15.3 million) is included in Group’s consolidated statement of profit or loss for the year then ended. Due to the ongoing and previous legal cases and other conditions described in note 11, 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 obtain sufficient appropriate audit evidence about the carrying amount of the Group’s investment in Planet as at 31 December 2019 and 31 December 2018 and the Group’s share of results from Planet for the said 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.

## **5) The Audit Committee**

### **5.a) Acknowledgment by the Chairman of the Audit Committee of his responsibility for the committee system in the company and for his review of its work mechanism and verification of its effectiveness.**

Mr. Youssef Ali Mohamed, Chairman of the Audit Committee, acknowledges his responsibility for the committee system in the company and for his review of its work mechanism and ensuring its effectiveness.



## **5.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. (49) of Resolution No. (7 / R.M) for the year 2016 regarding the standards of institutional discipline and the governance of public shareholding companies. As the main tasks, responsibilities and authorities 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 reconstituted on 25/4/2019 and the audit committee is composed of the following members:

- Chairman of the Committee Mr. Yusuf Ali Muhammad - Vice-Chairman of the Board
- Member of the Committee Mr. / Razi Adel Ahmed Dolani - Member of the Board of Directors
- Member of the Audit Committee, Mr. Medhat Muhammad Abu Al-Asrar Al-Jamal. Member of the Board of Directors

## **5.C) The number of meetings held by the Audit Committee in 2019**

During the year 2019, the committee held nine meetings, the table below showing the dates of the audit committee meetings and a number of personal attendance times for all the committee members.

No.	Date	Attendees	Absentees (who apologize)	Purpose of the meeting
1	2019/04/30	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
2	2019/05/14	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
3	2019/05/19	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
4	2019/05/28	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
5	2019/07/16	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
6	2019/07/21	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
7	2019/08/07	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
8	2019/11/03	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters
9	2019/11/16	Mr. Yousef Ali and Mr. Razi Dolani	Mr. Medhat Abu Al-Asrar	Discussing financial statements and other matters



## **6) Nomination and Remuneration Committee**

### **6.a) Acknowledgment by the Chairman of the Nominations and Remunerations Committee of his responsibility for the committee 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.

### **6.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 shall conduct its business according to the provisions of Article (47) of Resolution No. (7 / RM) for the year 2016 regarding the criteria of institutional discipline and the governance of public shareholding companies, whereas its tasks, responsibilities and authorities are mainly in determining the set of individual and total remunerations for the members of the Board of Directors in accordance with the approved procedures. And setting 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 reconstituted at the Board meeting held on 25/04/2019 and the Nominations and Remunerations Committee consists of the following members:

- Mr. Khaled Abdullah Al-Abdullah - Chairman of the Committee
- Dr. Ali Hussein Al-Zawawi - Member of the Committee.
- Mr. Manoj Kumar Gandhi - Member of the Committee

### **6.c) A statement of the number of meetings held by the committee during the year 2019**

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	Absentees (who apologize)
1	2019/06/16	All members	-
2	2019/09/08	All members	-

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

### **7.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

## **7.b) Names of the members of the 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:

1. Muhammad Ahmad Odeh, Chairman of the Committee
2. Hessa Ali Al-Shehhi, member of the committee

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.
3. Update the list of insiders in the event of a change in it, and inform the concerned authorities.

## **A summary of the committee's work report for the year 2019.**

The committee periodically updates the list of company' insiders and provides it to the Abu Dhabi Securities Exchange. The committee also followed up the insiders' transactions in the company's shares and it is maintaining a record of trading for the fiscal year 2019 and adheres to the decisions of the authority, the market and the related amendments issued.

## **8) Executive committee**

### **8. a) Acknowledgment by the Chairman of the Committee of his responsibility for the committee system in the company and for his review of its work mechanism and ensuring its effectiveness.**

Mr. Manoj Kumar Gandhi, Chairman of the Executive Committee, acknowledges his responsibility for the committee system in the company and for his review of its work mechanism and ensuring its effectiveness.

### **8. b / c) the name of the committee, the names of its members, its responsibilities and tasks assigned to it**

The Executive Committee is a committee emanating from the Julphar Board of Directors and was formed during 2018 and reformed at the Board of Directors meeting held on 25/04/2019. It consists of the following:

1. Mr. Manoj Kumar Gandhi. Chairman of the Committee
2. Mr. Abdulaziz Abdullah Al-Zaabi, member of the committee
3. Dr. Ali Hussain Al-Zawawi, member of the committee
4. Mr. Jamal Salem Bin Darwish Al-Nuaimi. member of the committee

The main tasks and responsibilities of the Executive Committee are:



1. Follow-up of the company's operational and administrative work and approval of decisions that support and help the management in carrying out its operational, administrative and financial activities in a manner that does not conflict with the authorities of the Board of Directors.
2. Follow up the implementation of the company's short and long-term strategies and the recommendation to the Board of Directors to approve the relevant decisions.
3. Coordination with the Board's committees to achieve the goals and plans of the company approved by the board of directors.
4. Follow up the implementation of the decisions of the Board of Directors.

**8. d) A statement of the number of meetings held by the committee during 2019 and the dates of its meetings and the number of times of personal attendance of all committee members:**

No.	Date	Attendees	Absentees (who apologize)
1	17/01/2019	The Chairman and the members of the committee	-
2	25/02/2019	The chairman and two of the members of the committee	Mr. Jamal Salem Bin Darwish Al-Nuaimi
3	12/05/2019	The Chairman and the members of the committee	-
4	29/05/2019	The Chairman and the members of the committee	-
5	07/07/2019	The chairman and two of the members of the committee	Dr. Ali Hussein Al-Zawawi
6	05/09/2019	The chairman and one of the member of the committee	Dr. Ali Al Zawawi and Mr. Jamal Al Nuaimi
7	15/09/2019	The Chairman and the members of the committee	-
8	09/10/2019	The chairman and two of the members of the committee	Mr. Jamal Salem Bin Darwish Al-Nuaimi
No.	Date	Attendees	Absentees (who apologize)
9	30/10/2019	The Chairman and the members of the committee	-
10	17/12/2019	The Chairman and the members of the committee	-

**9) The internal control system**

**9.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 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.

**9.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 and financial management.

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

The manager of internal control department has appointed as temporary compliance officer until a Compliance Officer is appointed.

**9. 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 the 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 these problems from occurring again in the future.

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

- 1) Regarding to Planet Pharmacies the Associated company 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.
- 2) Regarding to the accumulated losses of the company, coupled with the ban imposed by the Saudi Food and Drug Authority on the company's products, which led to the uncertainty and suspicions of the external auditor that the company is able to continue its activities.



## **9. d) The number of reports issued by the Internal Control Department to the company's board of directors.**

The Internal Control Department shall permanently coordinate with the internal and external auditors and the management to ensure the effectiveness of the internal control system in general and to make the necessary reports and recommendations regarding to it to the audit committee, which is empowered by the board of directors to review the internal control system and to do what is necessary to develop it and increase its effectiveness, also the audit committee in its turn will raise the required recommendations to the Board of Directors.

During 2019, the following reports were issued to the Audit Committee, in coordination with the Internal Control Department:

- One report from the internal auditor KPMG
- Three reports from the external auditor Ernst & Young
- Two reports from Executive Management
- Two reports from Internal control department
- One report from the external governance consultant

## **10) Violations committed during the year 2019 and how to resolve them and avoid their recurrence in the future.**

The Securities and Commodities Authority imposed on the company during the year 2019 several penalties as follows:

- 1) A financial fine of AED 10,000 incurred by the company for its failure to disclose the financial statements for the year 2018 in the specified legal period.
- 2) A financial fine of AED 20,000 incurred by the company for its failure to disclose the financial statements for the first quarter of 2019 in the legal period specified through the electronic disclosure system XBRL.
- 3) A financial fine of AED 40,000 incurred by the company for its failure to disclose the financial statements for the second quarter of 2019 in the legal period specified through the electronic disclosure system XBRL.

The company has worked to handle the reasons of the above fines and avoid their recurrence in the future, as the company disclosed the financial statements of third quarter of 2019 in the legal period, whereas the reasons that led to the delay of disclosure in the first half of the year 2019 has been ended.

## **11) A statement of the cash and in-kind contributions made by the company during the year 2019 in developing the local community and preserving the environment.**

Supporting and developing the local community is considered one of the interests of Julphar Company, as Julphar supports scientific, charitable and societal institutions of public benefit as well as sponsors many events, conferences and scientific gatherings, especially with regard to the public health sector. Julphar's support for universities, local institutions and the members of the community during the year 2019 amounted to AED 758,367.

The company has made many in-kind contributions for the year 2019, which are drugs donated to several local bodies, such as public clubs and charities valued at AED 790,185.

Believing from Julphar, the importance of the environment and its preservation, during 2019, included but not limited, it held periodic training sessions for the employees concerned with how to preserve the environment and how to get rid of the harmful causes of the environment, also Julphar is working in continuous cooperation with the departments concerned in the emirate to get rid of industrial waste, and the General Services team also participated in the initiative of His Highness Sheikh Diab bin Mohammed bin Zayed to preserve the environment in the Emirate of Ras Al Khaimah.

Under the directions of the Department of Works (Hazardous Waste Division), the company contracted with companies that specialize in destroying medicines and expired raw materials to protect the environment from the pollution.

## **12) General information**

### **12. a) A statement of the company's shares price in the Abu Dhabi Securities Exchange during 2019**

In view of the late disclosure of the company's financial statements during the legal period, as a result, the company was suspended from trading on the company's shares in the period from April to June 2019, as shown in the table below:

Price of closing	Lowest price	Heights price	Month
1.89	1.89	2.08	01
1.60	1.44	1.89	02
1.58	1.58	1.60	03
-	-	-	04
-	-	-	05
-	-	-	06
1.58	1.58	1.58	07
Price of closing	Lowest price	Heights price	Month
1.11	1	1.50	08
1.20	1.11	1.27	09
1.21	1.20	1.25	10
1	1	1.09	11
0.97	0.76	0.95	12



**12.b) A statement of the comparative performance of the shares of the company with the general market index and the sector index to which the company belongs during the year 2019**

Industrial sector index	The general index Abu Dhabi Securities Market	The company's share price	Month
1,602.950	5,044.850	2.08	01
1,562.690	5,137.810	1.89	02
1,496.010	5,074.650	1.60	03
1,505.110	5,258.040	-	04
1,466.910	5,003.580	-	05
1,415.390	4,979.950	-	06
1,510.790	5,317.890	1.58	07
1,342.470	5,165.570	1.50	08
1,416.360	5,057.310	1.27	09
1,401.880	5,107.760	1.25	10
1,278.720	5,030.750	1.09	11
1,281.380	5,075.770	0.95	12

**12.c) A statement of shareholders ownership distribution as on 31/12/2019 (individuals, companies, governments) classified locally, Gulf, Arab and foreign**

No.	Classification of the shareholder	The percentage of shares held			
		Individuals	Companies	Government	Total
1	Local	33.79	10.55	21.58	65.92
2	Gulf	14.76	0.83	0	15.59
3	Arab	1.05	12.93	0	13.98
4	Foreign	0.7	3.81	0	4.51
	Total	50.3	28.12	21.58	100

**12. d) A statement of the shareholders who own 5% or more of the company's capital as of 31/12/2019**

No.	Name	Numbers of owned shares	The percentage of owned shares of the company's capital
1	The government of Ras Al-Khaimah	250,008.546	21.58
2	Arab Company for Drug Industry and Medical Appliances (ACDIMA)	106,013.466	9.15
3	Yasser bin Youssef bin Mohammed Naghi	103,573.732	8.94
4	Sheikh Faisal bin Saqr bin Muhammad Al Qasimi	92,499.365	7.98
5	Mohammed Abdulaziz Rabee Shaheen Al-Muhairi	82,886.930	7.15
6	Salem Abdullah Salem Al Hosani	81,427.322	7.03
	Total	716,409.361	61.83

**12.e) A statement of how shareholders are distributed according to the volume of the ownership as on 31/12/2019**

No.	share ownership (share)	Numbers the shareholders	Numbers of owned shares	The percentage of shares owned by the capital
1	Less than 50,000	1225	7,711,971	0.67
2	From 50,000 to less than 500,000	193	37,044,003	3.20
3	From 500,000 to less than 5,000,000	81	121,255,123	10.47
4	More than 5,000,000	22	992,491,703	85.66
	Total	1521	1,158,502,800	100%

**12. f) A statement of the procedures taken regarding investor relationships controls**

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 Alshihhi
- Phone No. 0097172045273
- Email: [investors@julphar.net](mailto:investors@julphar.net)
- The link for the Investor Relations page: <http://www.julphar.net/en/investors>

**12. g) The special decisions that were presented in the General Assembly held during the year 2019 and the procedures taken in their regard**

The two items below were listed at the company's annual general meeting on 01/07/2019:

- (1) Approval of using the voluntary reserve and statutory reserve to extinguish the company's losses, after the approval of the Securities and Commodities Authority and the authorization of the Board of Directors to take the continuity decision stipulated by Article 302 of the Federal Law in the matter of commercial companies No. (2) for the year 2015 in the event that the company losses reaches half of its issued capital during the year and the mandate is until the annual meeting of the General Assembly in 2020.
- (2) Amending the articles of association of the company regarding the definition of "related parties" in line with the decision of the Chairman of the Board of Directors of the Securities and Commodities Authority No. (7 / RM) for the year 2016 regarding the institutional Discipline Standards and Corporate Governance for Public Joint Stock Companies, to be defined as follows: "The Chairman, Board Members, members of the Senior Executive Management, employees of the Company, and the companies in which any of such persons holds 30% or more of its capital, as well as subsidiaries or sister companies or affiliate companies"

And the above decisions were unanimously approved and the first decision was implemented after following the required procedures and was applied in preparing the financial reports for the third quarter of the year 2019. Decision No. 2 was implemented directly and followed the required procedures



## **12. h) The Rapporteur of the Board of Directors meetings**

Mrs. Hanan Ibrahim Al-Hourani was performing the duties of the rapporteur of Julphar Board of Directors meetings from 30 October 2014 until her resignation date on 28/04/2019 to be replaced by the Head of Legal Department with the following data:

The name of the rapporteur the board meetings: Rita Karam,

Date of appointment: 05/05/2019

Qualifications and experiences: Master in French, European and International Commercial Law, 16 years of experience in law and corporate law, extensive experience in drafting and reviewing various types of legal contracts, restructuring, legal advice and legal research

Statement of its duties during the year:

- Preparing the legal texts related to the decisions of the Board of Directors
- Follow up the decisions issued by the board and ensure their implementation.
- Attending meetings and preparing the minutes of meetings of the board and coordinating with members of the Board of Directors

Who also resigned from her position in the company on 23 December 2019

## **12. i) A detailed statement of the significant events and important disclosures encountered by the company during the year 2019.**

06/02/2019: Julphar launches the Healthy Living Initiative at the local level, the initiative aims to encourage the eating of healthy food and to practice exercises to reduce obesity rates in the UAE.

28/02/2019: Julphar sends more than 100,000 packages of Mebo ointment, the first product in the treatment of burns and wounds, to the hospitals in the Arab Republic of Egypt after the fire accident at the train station in the capital, Cairo.

18/04/2019: Julphar announces the resignation of the Chairman of the Board of Directors Sheikh / Faisal Bin Saqr Al Qasimi and Vice Chairman Sheikh / Abdullah Bin Faisal Al Qasimi from the membership of its Board of Directors, the Chairman served as a member of the board for more than 26 years, during which he served as Chairman of the board for a period of 13 years, and the Vice Chairman, Sheikh / Abdullah Bin Faisal Al Qasimi served as a member of the board for a period of 6 years.

09/07/2019: Julphar announced the appointment of Mr. George Ibrahim to fill the position of Head of Quality Affairs, as he has a long experience in quality affairs management.

29/01/2019 - 20/08/2019: The Company withdrew some products and some batches for certain products from the markets, based on the recommendation of the Saudi Food and Drug Authority, and the Ministry of Health and Prevention

in UAE for quality issues. And also based on decisions taken by the company in compliance with and commitment to quality standards to ensure the safety of product quality

13/10/2019: Julphar has announced the appointment of Mr. Juergen Lauterbach in the position of Chief Financial and Strategy Officer. Who will oversee the financial operations, the tenders, the supply chain, the logistics operations, strategy and the business development in the company. And will be assigned to lead the transformation program across all Julphar operations in addition to Development and implementation of the company's road map.

## **12) A statement of Emiratization percentage in the company at the end of the years 2017, 2018, 2019**

The number of the company's employees who are citizens of the United Arab Emirates by the end of the years 2017, 2018, 2019 as follows:

Serial No.	Year	Number of employees	Percentage
1	2017	198	9.25 %
2	2018	181	8.80 %
3	2019	158	8.51 %


## **12. k) A statement of the projects and the innovative initiatives undertaken by the company or being developed during 2019.**

The projects department in the company has worked on developing and improving innovative initiatives as follows:

1. Developing how to use devices for analyzing energy quality, which helped in identifying and exploring the problems of the energy quality through several stages and levels related to the system of the energy distribution. Which in turn will enable us to determine the energy losses caused by high-frequency current compounds (harmonics) and imbalances. Important benefits of this innovation as following:
  - Measuring variables describing energy quality to enable us to make better maintenance decisions.
  - Monitor and improve the effective power factors, and reduce the ineffective power, imbalance, the harmonics, distortion percentage and neutral current, which leads to reduced losses and lower consumption.



2. Continuing the policy of reusing the sources and recycling of the old equipment and devices and finding new uses for them with the adoption of modern technologies and LED lighting in addition to caring for all technologies aimed to the improving of energy saving.
3. Continuing to develop transit-locking systems, (rooms / transport outlets) using the available resources and trained workers in the Facilities and Projects Management division.



Signature of the Chairman  
of the board of directors



Signature of the  
Chairman of the Audit  
Committee



Signature of the Chairman of  
the Nominations and  
Remunerations Committee



Signature of the <sup>Manager</sup> Director of  
the Internal Control  
Department

Date: 2 / 4 / 2020

Date: 2 / 4 / 2020

Date: / / 2020

Date: 24 / 4 / 2020

Stamp of the Company

