



Governance Report 2019

Sharjah Group Company

In its internal policy, the company has adopted a level of professionalism over the past years to achieve the application of governance when listing by adding substantial value with emphasis on the internal controls, which ensured the company's success and prosperity throughout the years of its operation. This is from the fulfillment of promises to all our partners, having strong financial results, investment in its staff, developing solutions to better serve our customers, facing challenges and exploring new horizons for our shareholders, partners and the communities in which we operate.

Our most important objectives are to reach with the company's management to the best practices in an effective and dynamic method in favor of all shareholders through management that understand its responsibilities, develop its skills in making decisions with clearly defining its objectives and trying to reach them as soon as possible in order to encourage investment on the long run, financial stability and work integrity that would result in achieving sustainable growth. In order to reach this end, the company's Board of Directors (corporate governance system) adopted, according to all legal and regulatory requirements concerned, the code of professional conduct and institutional governance, especially the directives issued on the application of the Board of Directors' decision No (7/R. M of 2016) regarding the institutional discipline standards and public shareholding companies governance.

Sharjah Group Company adopts the Federal Law Article No 2 of 2015 on the commercial companies regarding regulating the business of the public shareholding companies in addition to the Board of Directors' decision No (7/R. M of 2016) regarding the institutional discipline standards and shareholding companies governance as well as Sharjah Group Company's Articles of Association and the internal policies and procedures guide as a basis in taking any action to regulate the company's business.

2. Statement of ownership and transactions of BOD (Board) members and their spouses, their children in the company securities during 2019.

According to the company's policy to establish the governance principles in the trading of the members and staff and according to the Article 12 of the instructions of listing securities in Abu Dhabi stock market, which states:

"The Board Chairman and members of the company listing securities in the market and its General Director or any of the staff who have access to the basic data of the company may not trade themselves or by others in the securities of the mother company, affiliate, ally or sister company during the following periods:

- 1) 10 days before announcing substantial information that would affect the stock price up and down unless the information results from emergency and sudden events.



2) 15 days before the end of the financial and quarterly period and till the disclosure of the financial statements of this quarter.

The company's Board members abide by that and no trading was made by them or their spouses or children and the staff who have access to the company's basic data on the company's stocks during the year 2019.

Name	Position / Kinship	Owned shares as on 31/12/2019	Total sale	Total purchase
Ziyad Mahmood Khairallah Al Haji	Chairman	NA	NA	NA
Ibrahim Ahmed Al Mannaei	Vice Chairman	26,000	NA	NA
Mohamed Abdullah Yaqoub Al Wazzan	Managing Director	25,574	NA	NA
Humaid Obeid Al Matrooshi	Board Member	NA	NA	NA
Khalid Abdel Aziz Kashwani	Board Member	NA	NA	NA
Yaqoub Abdullah Yaqoub Al Wazzan	Board Member	NA	NA	NA
Nasr Bakhit Al Muhairi	Board Member	NA	NA	NA

3. Board Formation:

The Board of Directors of Sharjah Group Company has experience and high skills. The Board focuses on achieving the best practices of governance and has a clear direction and a positive outlook on the long run as they are well acquainted with the company's business and activities as well as committed to achieve the company's objectives, taking into consideration the best interest of the shareholders. The Board used affiliated committees to assign some tasks and responsibilities where each committee submits its reports and recommendations to the Board of Directors out of responsibility and transparency. The Board of Directors is formed from seven members according to the following schedule.

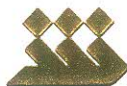
Name	Category (executive, non-executive, independent)	Experience	Qualification	Period served as a BOD member of the Company since his first election date	Their memberships and positions in any other shareholding companies	Their positions in any other important supervisory, governmental or business entities



1- Ziyad Mohamoud Khairallah Al Haji - Chairman	Independent member	Board Chairman of Sharjah Group - Managing Director of General Ceramic Company –Chairman of Emaar International Plastic Industries	Diploma of Banking Sciences	Since 2012 to date	Managing Director of General Ceramic Company – Chairman of Emaar International Plastic Industries	Board member in Sharjah Chamber of Commerce & Industry and Honorary Secretary in Sharjah Chamber of Commerce & Industry
2- Ebrahim Ahmed Al Mannaei - Vice Chairman	Independent member	General Director - Vice Chairman – Board member (Sharjah Group)	Bachelor of Foreign Trade	Since 1984 to date	Nothing	Nothing
3- Mohammed Abdullah Yaqoub Al Wazzan - Managing Director	Executive member	Worked in several banks and financial institutions in Kuwait. Took part in boards of several shareholding companies, listed and unlisted	Bachelor of Administration, Finance and Financial Institutions / Kuwait University - Diploma of Credit Management / Institute of Banking Studies, Kuwait Holder of several professional certifications in Business Administration and Finance from London Business School & IMD	Since 2008 to date	Nothing	Nothing



4- Dr. Humid Obaid Al Matrooshi	Independent member	Board member of Sharjah Group Company – Managing Director in Ajman Hospital – Ajman Police / Head of financial department, head of traffic & license department, Head of Financial Affairs, Director of Reform and penal institutions Department in the rank of Colonel – Ministry of Interior / several positions and ranks	Bachelor of Business Administration – Foreign Trade, Master in Economic Development, PhD in Industrial Development within the framework of economic integration of the GCC countries	Since 2011 to date	Board member in Sharjah Insurance Company – Sharjah Former Board member in Marka Company – Dubai	None
5-Khalid Abdul Aziz Kashwani	Independent member	Owner and Director of Abdul Aziz Kashwani Real Estate Company – experience in:-Real estate valuation and arbitration – real estate development and investment – management consultancy – owner of Chinese House Restaurants	Bachelor of Business Administration	Since 2012 to date	Nothing	Head of Real Estate Sector Working Group in Sharjah Chamber of Commerce & Industry
6- Yaqoub Abdullah Yaqoub Al Wazzan	Non-executive member	worked in the insurance department / Kuwait oil company/ Assistant Managing Director in the association & gulf transport company CEO of Kuwait Association & gulf transport Company Partner/ director in scaler group for General Trading Contracting LLC	Bachelor of Insurance / Kuwait University	Since 2012 to date	Nothing	Nothing



7-Nasr Bakhit Al Muhairi	Independent member	Officer in the Customs & Ports Department, Customs Inspection Officer – Sharjah International Airport	High school	Since 2012 to date	Board member in General Ceramic Company - Sharjah	None
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- There is no female element in the Board of Directors because no female was nominated during the elections of 2017.

D- Statement of the following:

- 1- There were non-distributing remunerations of the Board members for the year 2018.
- 2- Proposal of non-distributing remunerations to the Board members for the year 2019.
- 3- There are no allowances received for attending the committees meetings during the year 2019.
- 4- There are no additional allowances, salaries or fees received by a Board member during the year 2019.

E- Board meetings

The Board of Directors of Sharjah Group has held meetings during the year 2019 as detailed below:

Board Member	28/02/2019	13/05/2019	05/08/2019	10/11/2019
Ziyad Mohamoud Khairallah Al Haji	*	*	*	*
Ebrahim Ahmed Al Mannaei	*	*	*	*
Mohammed Abdullah Al Wazzan	*	*	*	*
Humid Obaid Al Matrooshi	*	*	*	*
Khalid Abdul Aziz Kashwani	*	*	*	*
Yaqoub Abdullah Al Wazzan	*	*	*	*
Nasr Bakhit Al Muhairi	*	*	*	*



F- Number of the Board resolutions passed during the 2019 fiscal year, along with its meeting convention dates.

During 2019 there was one Board resolution passed on the date of 04/09/2019.

G- Statement of Board duties and powers exercised by Board members or the Executive Management members during 2019 based on the an authorization from the Board.

The Board of Directors of Sharjah Group has adopted a policy that would allow and enable governance, including that the Executive Management members pay special attention to the duties assigned to them. The Board has authorized with certain levels of power to the following:

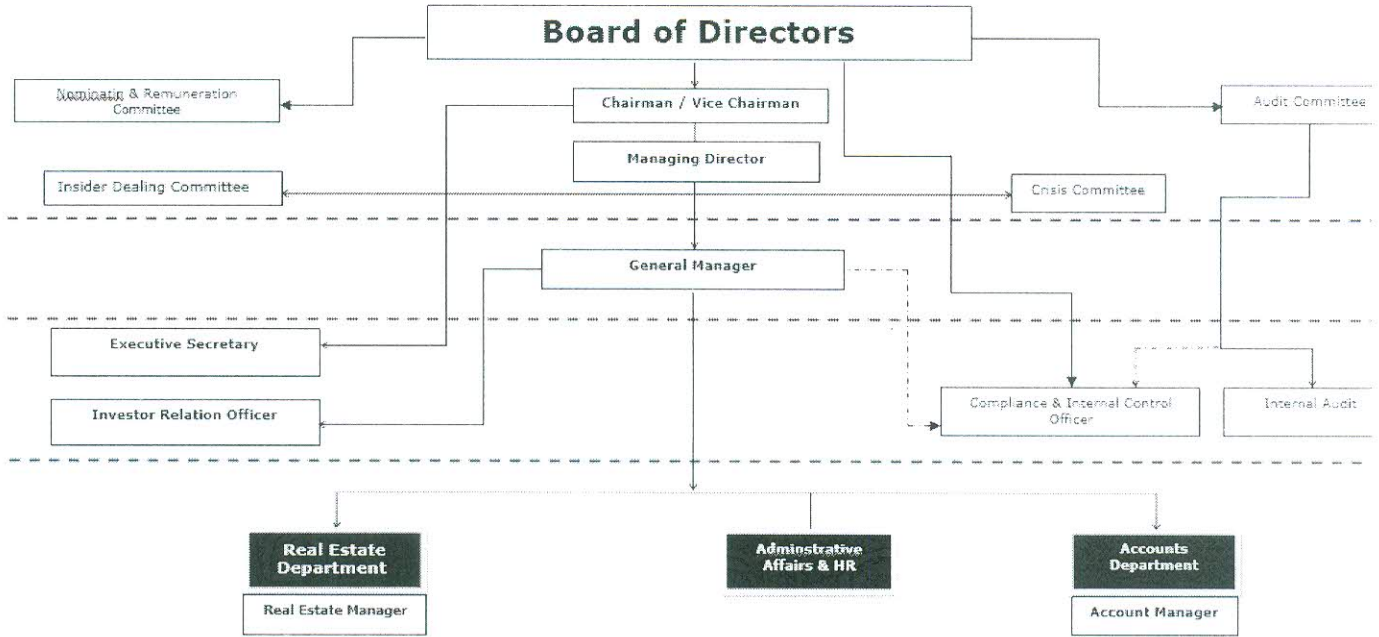
Name of the authorized person	Power of authorization	Duration of authorization
Mohamed Al Wazzan – Managing Director	Administrative, operational and financial powers have been specified according to the company's policies and procedures.	3 years
Ziyad Al Haji - Chairman	Taking procedures regarding borrowing and mortgage	As needed for implantation
Mohamed Al Wazzan – Managing Director	Taking procedures regarding borrowing and mortgage	As needed for implantation

H- Statement of the details of transactions made with the related parties (Stakeholders) during 2019

There is no trading with relevant parties within the scope of the concept of governance during the year 2019.



I- Organizational structure of Sharjah Group Company



J- A detailed statement of the senior executives in the first and second grade according to the Company organizational structure.

Position	Date Appointment	Total Salaries and Allowances paid in 2019 (AED)	Total Bonuses paid for 2019 (AED)	Any other Cash/in-kind bonuses for 2019 or due in the future
Managing Director	2004	571,350	Nil	172,405
General Manager	1979	417,600	Nil	79,000
Chief Accountant	1985	201,705	Nil	37,400
Real Estate Manager	2006	186,480	Nil	26,320
Administrative Affairs & HR	1982	139,860	Nil	25,800

4. External auditor

A- Based on the Audit Committee nominations, the Board of Directors nominates the auditor to the General Assembly for approval of his hiring after verifying his independence, efficiency and reputation for one year where he undertakes his duties from the end of this Assembly meeting till the end of the next year Assembly



meeting. His fees are determined by a decision from the General Assembly and he is forbidden to do other accounting works related to the accounting records. He is also forbidden to design or implement any information systems if they have a substantial influence on the financial data or control systems related thereto or to provide any services or internal audit works by subcontract. Furthermore, he is forbidden to provide any valuation or appraisal works for the company during the audit or participate therein as well as to provide any administrative services or works or those related to financial or real estate mediation.

Accordingly, it was contracted with Crowe Mak Company, operating in UAE since 1981, which is one of the largest audit and consulting companies worldwide with firm presence at the international and local levels, providing independent and objective opinions in line with the methodologies and processes arising at the global level in the application of accounting standards.

B- Statement of fees and costs for the audit or services provided by the external audit, according to the following schedule:

Name of audit office and partner auditor	Crowe Mak / Khalid Chaudhry
Number of years he served as the company external auditor	1 year
Total audit fees for 2019	103,500 AED
Fees and costs of other private services other than auditing the financial statements for 2019	10,000
Details and nature of the other services	Preparing the Undistributed Dividend Report According to SCA circular dated 31/10/2019
Statement of other services that an external auditor other than the company accounts auditor provided during 2019	Nothing

C- Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for 2019.

There are no reservations included by the company auditor in the interim or annual financial statements for the year 2019.

5. Audit Committee

A- Ebrahim Ahmed Al Mannaiei, Audit Committee Chairman, acknowledges his responsibility for the committee system in the company, review of its work mechanism and ensuring its effectiveness.



B- The Committee is formed upon a decision from the Board of Directors which determines its name and duties. The Committee is formed immediately after determining the Board of Directors positions after their election by the General Assembly. It consists of three members minimum, independent and non-executive members, two of which are independent members. The Committee consists of the following three members:

- Ebrahim Ahmed Al Mannaai Committee Chairman
- Yaqoub Abdullah Al Wazzan Committee member
- Khalid Abdul Aziz Kashwani Committee member

The Audit Committee is concerned with control of the financial statements of the company, recommendations of changes in the control systems and financial system of the company, control of the accounting practices and recommendation of nominating external auditor.

The Audit Committee has powers to study any activity within its own revision terms. It is authorized to reach the external and internal auditor, get the information related to audit and use any internal or external specialized party for providing professional consultancy on any matter related to the company's accounts. It also has powers to request any information it needs from any employee or Board member, therefore the Board members and employees are directed to cooperate with any demand from the Committee.

C- Committee meetings

Name	28/02/2019	08/04/2019	13/05/2019	05/08/2019	06/11/2019
Ibrahim Ahmed Al Mannaai	*	*	*	*	*
Yaqoub Abdullah Al Wazzan	*	*	*	*	*
Khalid Abdul Aziz Kashwani	*	*	*	*	*

6. Nomination & Remuneration Committee

A- Khalid Abdul Aziz Kashwani, Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

B- It is one of the Committees emerging from the company's Board of Directors; it is formed upon a decision from the Board of Directors which determines its name and duties. The Committee is formed immediately after determining the Board of Directors positions after their election by the General Assembly. It consists of three independent and non-executive members. The Committee consists of the following three members:



- Khalid Abdul Aziz Kashwani Committee Chairman
- Ebrahim Ahmed Al Mannaei Committee member
- Yaqoub Abdullah Al Wazzan Committee member

The role of the Committee is represented in determining the individual and total remunerations of the Board members within the framework approved in the Corporate Law and governance decision, setting the remuneration policy for the Executive Management associated with the company's performance and determining the payroll caps including salaries, remunerations and incentive programs. Also, the Committee is responsible for the preparation and revision of the human resources policies and relevant systems, supervision of procedures and revision of the Board members nomination. The Committee is granted powers by the Board of Directors to study any activity within its revision terms and it is authorized unconditionally to get any professional consultancy on any matter related to the company. The Committee has powers to demand any information it needs from any employee or Board member, therefore the Board members and employees are directed to cooperate with any demand from the Committee.

C- Committee meetings

Name	28/02/2019	13/05/2019
Khalid Abdul Aziz Kashwani	*	*
Ibrahim Ahmed Al Mannaei	*	*
Yaqoub Abdullah Al Wazzan	*	*

7. The Supervision and Follow-up Committee of Insider's transactions

A- Batoul Assi , acknowledges her responsibility for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

B- Committee members' names:

- Batoul Assi – Compliance and Internal Control Officer
- Najwa Farah – Executive Secretary and Investors Relations Officer

Statement of the Committee's functions and duties:

- 1- Determining and updating the insiders list
- 2- Receiving trading requests from insiders
- 3- Viewing trading periodically to check the insiders' commitment



C- Committee meeting

Name	06/01/2019	01/04/2019	01/07/2019	29/07/2019	19/10/2019
Batoul Assi	*	*	*	*	*
Najwa Farah	*	*	*	*	*

Summary of the Committee's work report during 2019

-Trading on the company's stocks during the fourth quarter of 2018 and the first, second and third quarters of 2019 in Abu Dhabi Securities and Exchange were viewed and it proves the insiders' non-trading on the stocks in the prohibition periods.

- Company Insiders List for the 2nd & 3rd quarter of 2019 were viewed and the updated list dated 24/09/2019.

8. Any committee(s) approved by the Board

There are no other committees approved by the Board of Directors.

9. Internal Control System

A- The Board of Directors acknowledges its full responsibility for the Internal Control System and the efficiency of its working mechanism to ensure that the Senior Management prepares and applies an effective internal control system to provide reasonable guarantees for effective and efficient operations and adherence to the laws and legislation within the limits set forth in the Board Chairman's Decision No (7/ R.M) of 2016 regarding the institutional discipline standards and public shareholding companies governance.

B- Among the duties of the Internal Control Department is the issuance of internal control reports, monitoring and auditing all accounting and operational works in the company, monitoring the administrative works and adding recommendations to the Board of Directors in case of any weaknesses in the financial, operational and accounting aspects. It is concerned with the direct tracking of the Board of Directors, and the Audit Committee has access to the Management works. The Management shall give an evaluation of the means and procedures of risk management; ensure the commitment of the company and staff to the systems, policies and internal procedures; validate the financial statements in terms of accounting and ensure the application of the international accounting standards in the preparation and management of the company's finance. It is headed by Ms. Batoul Adnan Assi – qualification: "Bachelor of Business Administration & Accounting" – date of hiring: 26/11/2016.



C- Compliance Officer's name: Ms. Batoul Adnan Assi – qualification: “Bachelor of Business Administration & Accounting” – date of hiring: 26/11/2016. The Compliance Officer is also the Head of Internal Control Department, occupying two positions.

D- How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in the annual reports and accounts: the company didn't face any major problems during the year 2019.

E- A quarterly report is issued and submitted to the Audit Committee which in turn submits the report with its recommendations to the Board of Directors to view the performance of the Internal Control System and issue any recommendations or decisions if necessary, it has been issued four reports during the year 2019.

Communicate with the Board of Directors in case of failure in any operational procedure to determine the financial, operational and administrative risks and set priorities in terms of the degree of risks possible by identifying them in written notes.

The Internal Control Department deals with any notes that should be notified to the Management by periodic reports sent to the Board of Directors and the Audit Committee to be discussed with the Executive Management for finding proper solutions to address the imbalance. The company did not encounter any substantial problems in relation to the control and financial system during the year.

10. Details of the violations committed during 2019

There were no violations during the year 2019.

11. Statement of the cash and in-kind contribution made by the Company during the year 2019 in developing the local community and preserving the environment.

The company is committed to apply a mixture of environmental, social and local policy through preservation and contribution to improve the general view in the Emirate of Sharjah by renovating and cleaning the surrounding of the company located in Sharjah including renovating the facades of old buildings or cleaning modern buildings continuously. The cash or in-kind contributions are represented in the following local entities:

- 1- Sharjah Social Empowerment Foundation, an amount of 15,000 AED.
- 2- Al Qassimi Hospital, an amount of 15,000 AED.

12. General information

A- Statement of the company share price in the market at the end of each month during the fiscal year 2019



Month	Lowest Price	Highest Price	Closing Price
January	1.000	1.000	1.000
February	1.000	1.000	1.000
March	0.950	1.000	1.000
April	0.950	0.950	0.950
May	0.860	0.860	0.860
June	0.860	0.860	0.860
July	0.860	0.860	0.860
August	0.774	0.774	0.774
September	0.890	0.890	0.890
October	0.890	0.890	0.890
November	0.801	0.850	0.850
December	0.801	0.850	0.850

B- Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2019

Month	General market index %	Sector index %	Company's share price %
January	2.666	(0.673)	(7.41)
February	1.850	8.973	0.00
March	(1.229)	(0.786)	0.00
April	3.614	1.230	(5.00)
May	(4.830)	1.230	(9.47)
June	(0.493)	3.593	0.00
July	6.773	21.372	0.00
August	(2.845)	(2.924)	(10.00)
September	(2.096)	(6.120)	14.99
October	1.011	11.653	0.00
November	(1.531)	(7.697)	(4.49)
December	0.843	(0.167)	0.00

C- Statement of the shareholders' ownership distribution as on 31/12/2019

S.N.	Shareholders classification	Percentage of owned shares			
		Individual	Companies	Government	Total
1	Local	6.80%	1.64%	0.00%	8.44%
2	Arab	48.25%	40.26%	1.28%	89.79%
3	Foreign	1.75%	0.02%	0.00%	1.77%
*	Total	56.80%	41.92%	1.28%	100%

**D- Statement of shareholders owning 5% or more of the company's capital as on 31/12/2019**

Name	Number of owned shares	% of owned shares of the Company's Capital
Scaler Group For General Trading & Contracting	15,426,721	19.55%
Al Fotouh Holding Company	3,982,767	5.05%

E- Statement of how shareholders are distributed according to the volume of property as on 31/12/2019

S.N.	Share(s) Ownership	Number of Shareholders	Number of owned shares	% of owned shares of the Capital
1	Less than 50,000	8108	15,229,174	19.30%
2	From 50,000 to less than 500,000	142	20,772,554	26.33%
3	From 500,000 to less than 5,000,000	23	27,472,637	34.82%
4	More than 5,000,000	1	15,426,721	19.55%
*	Total	8274	78,901,086	100%

F- Statement of measures taken regarding the controls of investor relationships

- Name of the Investor relationships officer: Najwa Farah Achouh
- Data of communication with the investor relationships:
Email: najwa@sharjahgroup.ae
Phone: 06/5565570
Fax: 06/5565572
- The link of investor relationships page on the company's website: www.sharjahgroup.ae

G- Statement of the special decisions presented in the General Assembly held during 2019 and the procedures taken with respect thereto

There are no special decisions discussed in the General Assembly held during the year 2019.

H- Rapporteur of the Board meetings

- Rapporteur of the Board meetings: Abdul Rahman Abdullah Al Mahmoud
- His appointment Date: 25th May 1998



- His qualifications and experiences:

Worked in several companies in Insurance Management – Diploma of Business.

- Statement of his duties during the year:

- Documenting the meeting of the BOD.
- Documenting Board decisions and voting results, and keeping them in special organized record.
- Providing BOD members with all the information they need (the Board's agenda & documents related to it).
- Informing the BOD about the date of the Board Meeting.
- Providing help & advice to Board Members.

I- Detailed statement of major events and important disclosures that the Company encountered during 2019

- Disclosure regarding the Legal Case 5283/2016, the rendered judgment of cassation circular at “Federal Supreme Court, which upheld the appeal judgment and reject the legal interests on top of ruled principle amount; amount due to be paid according to the final judgment is 42,408,694 dirhams, which means a partial cancelation of the provision for an amount of 18,129,713 dirhams.

J- Statement of Emiratization percentage in the company at the end of 2017, 2018, 2019

There is no Emiratization percentage in the company.

K- Statement of the innovative projects and initiatives carried out by the company or being developed during 2019

There are no projects or innovative initiatives done by the company or underway during the year 2019.


Ziyad Khairallah

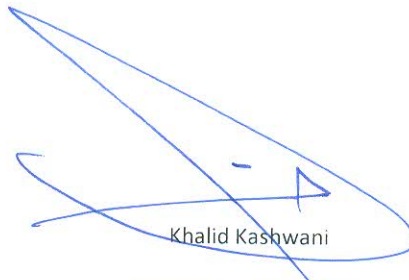
Chairman

Date


Ibrahim Al Mannaei

Audit Committee Chairman

Date


Khalid Kashwani

Nomination & Remuneration
Committee

Date


Batoul Assi

Internal Control Department

Director

Date

