

**Bahrain Family Leisure Company  
B.S.C.**

Agreed-upon procedures relating to  
compliance with the Corporate  
Governance Code for the year ended  
31 December 2021



*February 2022*



Tel: +973 1753 0077  
Fax: +973 1791 9091  
www.bdo.bh

17<sup>th</sup> Floor  
Diplomat Commercial Office Tower  
PO Box 787  
Manama  
Kingdom of Bahrain

The Board of Directors  
Bahrain Family Leisure Company B.S.C.  
PO Box 11612  
Manama  
Kingdom of Bahrain

22 February 2022

Dear Sirs

**Agreed-upon procedures report with regards to the compliance with Corporate Governance Code for the year ended 31 December 2021**

**Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Bahrain Family Leisure Company B.S.C. (“the Company”) in determining whether it is complying with the provisions and principles set out in the Corporate Governance Code (the “Code”) issued by the Ministry of Industry, Commerce and Tourism (“MOICT” or the “Ministry”) and may not be suitable for another purpose. This report is intended solely for the Company and Ministry of Industry, Commerce and Tourism and should not be used by, or distributed to, any other parties.

**Responsibilities of the management and Those Charged With Governance (“TCWG”)**

The management/TCWG has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The management/TCWG is responsible for the subject matter on which the agreed-upon procedures are performed.

**Practitioner’s responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with the International Standards on Related Services (ISRS) 4400 (revised), *Agreed-Upon Procedures Engagement*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

**Professional ethics and quality control**

We have complied with the ethical requirements in International Ethics Standards Board for Accountants’, *International Code of Ethics for Professional Accountants* (IESBA Code) and the independence requirements in accordance with Part 4A of the IESBA Code.

Our firm applies International Standard on Quality Control (ISQC) 1, *Quality control for firms that perform audits and reviews of financial statements, and other assurance and related service engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Board of Directors  
Bahrain Family Leisure Company B.S.C.

22 February 2022

**Agreed-upon procedures report with regards to the compliance with Corporate Governance Code for the year ended 31 December 2021 (continued)**

**Procedures performed**

We have performed the procedures as described in **Appendix A** to this report along with our findings to such procedures performed. These procedures were agreed-upon with the Company in the terms of engagement dated 26 April 2021, on the compliance with Corporate Governance Code for the year ended 31 December 2021.

**Restrictions on use and distribution of the report**

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties beyond the intended users. This report relates only to the items specified above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully

BDO

Manama, Kingdom of Bahrain

Enc: Appendix A



# Appendix A

**BAHRAIN FAMILY LEISURE COMPANY B.S.C.  
APPENDIX A TO AGREED-UPON PROCEDURES REPORT DATED 22 FEBRUARY 2022 WITH RESPECT TO COMPLIANCE WITH THE CORPORATE GOVERNANCE  
CODE FOR THE YEAR ENDED 31 DECEMBER 2021**

Sr. No.	Procedures	Findings
<b>GENERAL PROVISIONS</b>		
1	Inquire if the Company has appointed a Corporate Governance Officer (the "Officer") to carry out tasks of verifying the Company's compliance with corporate governance rules, the laws, regulations and resolutions issued and obtain a copy of the declaration made to the Ministry about the appointment of the Officer.	No exceptions noted.
2	Inquire with the Officer whether the Board of Directors and the shareholders have approved the Company's corporate governance code; and obtain a copy of the Board and shareholders' approval.	No exceptions noted.
3	Inquire of the Officer whether all the employees have been informed of the Company's Code and inspect a sample of employee confirmations.	No exceptions noted.
4	Compare the Company's annual corporate governance report (the "Report") with the requirements of the Code as set out in Appendix 5 of the Code.	No exceptions noted.
5	Inspect the agenda for the previous year Annual Shareholders General Meeting and if it includes an item on the Company's compliance with the Code.	No exceptions noted.
6	Check that the Report has been submitted within six months from the Company's year-end along with its annual report by inspecting the notification of the electronic submission of the Report to the Ministry.	No exceptions noted.

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Sr. No.	Procedures	Findings
<b>PRINCIPLE 1: BOARD EFFECTIVENESS</b>		
7	Inquire if the Board of Directors (BOD) consists of at least 5 directors for public joint stock companies and 3 directors for closed joint stock companies by inspecting the Company's records at the Ministry.	No exceptions were noted.
8	Inquire if the Company's Articles of Association (AOA) contains requirements for executive, non-executive and independent directors and that at least half of the directors are non-executive directors and at least three of whom are independent directors who meet the requirements set forth in Appendix 1 of the Code.	We have checked the Company's Articles of Association (AOA) and noted that it does not contain the requirements for executive, non-executive and independent directors. Out of seven directors, four are independent directors.  No other exceptions were noted.
9	Inquire with the Officer if the Chairman of the BOD is an independent director and that he is not the Company's CEO.	We have inquired with the financial controller and noted that the Chairman of the Board of Directors (BOD) is an independent director and he is not the Company's CEO. Mr. Garfield Jones is the Managing Director of the Company and he also a member of the Board.  Though Mr. Garfield Jones bears the title of Managing Director, the management of the day-to-day activities in practice is entrusted with the financial controller of the Company. The role of the financial controller is the individual assigned by the Board to be the first point of contact between the Executive Management and the Board. The majority (75%) of directors including the Chairman of the Committee are independent directors, and hence, the Board does not perceive a dilution of the independence and objectivity of the Board/Audit Committee. Rather, the inclusion of an executive director will provide valuable insights and a different perspective to the committee.  No other exceptions were noted.

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CODE FOR THE YEAR ENDED 31 DECEMBER 2021**

Sr. No.	Procedures	Findings
<b>PRINCIPLE 1: BOARD EFFECTIVENESS</b>		
10	For a sample of directors appointed during the year, obtain the appointment letter and check that it contains clauses relating to duties, powers, authorities and other matters of directorship.	No exceptions were noted.
11	Inspect a sample of annual declaration signed by directors and check that no director has a directorship of more than 5 Public Joint Stock Companies in the Kingdom of Bahrain; and Inquire whether the BOD has reviewed the independence of Directors at least once a year.	No exceptions were noted.
12	Compare the Board's Statement of Duties and Responsibilities with the minimum provisions as set out under Principle 1 of the Code.	No exceptions were noted.
13	Compare the Board Chairman's Statement of Duties and Responsibilities with the minimum provisions as set out under Principle 1 of the Code.	No exceptions were noted.
14	Inquire if the Board has appointed a Secretary to the Board.  Compare the Board Secretary's Statement of Duties and Responsibilities with the minimum provisions as set out in Principle 1 of the Code.	No exceptions were noted.
15	Check that a minimum 4 board of directors meetings was held during the year.	No exceptions were noted.
16	Check that the annual evaluation of the BOD performance and the performance of all its committees was performed for the year and obtain a copy.	No exceptions were noted.

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Sr. No.	Procedures	Findings
	<b>PRINCIPLE 2: ETHICS, CONFLICT OF INTEREST AND TRANSPARENCY</b>	
17	Inquire of the Officer if the Chairman has reported the results of related party transactions approved by the Board during the year at the first shareholders' general meeting following the implementation of the transactions.	No exceptions were noted.
18	Inspect the Board approved written policy to deal with conflicts of interest when dealing with the Company or other stakeholders.  For a sample of directors, check that the directors have signed their annual declaration.	No exceptions were noted.
19	Compare the Company's code of ethics with the minimum requirements as set out in Principle 2 of the Code.	No exceptions were noted.



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CODE FOR THE YEAR ENDED 31 DECEMBER 2021**

Sr. No.	Procedures	Findings
<b>PRINCIPLE 3: BOARD OVERSIGHT OF FINANCIAL REPORTING, EXTERNAL AND INTERNAL AUDIT AND REGULATORY COMPLIANCE</b>		
20	<p>Check that the Board Audit Committee (“BAC”) consists of at least 3 directors, majority of whom are independent, including the Chairman of the BAC.</p>	<p>The Board Audit Committee (“BAC”) consists of three directors. Two directors are non-independent and one is independent. The current chairman of the Audit Committee Mr. Charbel Sarkis, who is a non-independent director.</p> <p>We also noted that the Chairman of the Audit Committee is also a member of Nomination and Remuneration Committee and Corporate Governance Committee.</p> <p>The above point relating to independent directors have been discussed in the Board of Directors meeting and they are of the opinion that these do not dilute the highest standards of corporate governance that the Company maintains and at present it is not possible to keep the required Board Committee composition as required by the Ministry of Industry and Commerce regulations. However, the Board of Directors have noted the point and commented that the Company will aim to formulate the Committees as per the regulatory requirements in due course.</p>
21	<p>Compare the BAC’s Statement of Duties and Responsibilities with the minimum provisions as set out in Principle 3 of the Code and the purpose and tasks set forth in Appendix 2 of the Code.</p>	<p>No exceptions were noted.</p>
22	<p>Inquire if the Board has established a whistleblowing program that allows the Company’s employees to report internally their concerns about any improper or suspicious practices and make appropriate arrangements for an independent and fair investigation of such practices; and</p> <p>Inspect a copy of the board approved a whistleblowing program/policy.</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p>

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Sr. No.	Procedures	Findings
<b>PRINCIPLE 3: BOARD OVERSIGHT OF FINANCIAL REPORTING, EXTERNAL AUDIT AND REGULATORY COMPLIANCE (continued)</b>		
23	Inspect the CEO and CFO / FC confirmation in writing to the BAC and the BOD as a whole, that the Company's interim and annual financial statements present fairly, in all material respects, the Company's financial position and results of operations in accordance with applicable accounting standards.	No exceptions were noted.
<b>PRINCIPLE 4: APPOINTMENT, TRAINING AND EVALUATION OF DIRECTORS</b>		
24	Check that the Nomination Committee ("NC") consists of at least 3 directors, all of whom are independent or non-executive.	No exceptions were noted.
25	Inspect the Board recommendation and NC's report of directors nominated for shareholders' approval.	No exceptions were noted.
26	Inquire whether each Director receives a formal and tailored induction.	No exceptions were noted.
<b>PRINCIPLE 5: DIRECTORS' REMUNERATION</b>		
27	Check that the Remuneration Committee ("RC") consists of at least 3 directors, the majority of whom are independent or non-executive and that the Chairman is an independent director.	No exceptions were noted.
28	Compare the RC's Statement of Duties and Responsibilities with the minimum provisions as set out under Principle 5 of the Code as well as the purpose and duties set forth in Appendix 4 of the Code.	No exceptions were noted.

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Sr. No.	Procedures	Findings
	<b>PRINCIPLE 5: DIRECTORS' REMUNERATION (continued)</b>	
29	Inquire if non-executive directors remuneration for the year ended 2021 include performance related elements such as bonus shares, share options or other stock-related incentive schemes.	The Company's non-executive directors remuneration for the year ended 2021 include only sitting fees. No other exceptions were noted.
30	Inquire if the remuneration of senior officers is linked to the Company and individual performance and that the employees' interest is aligned with the shareholder's interests.	No exceptions were noted.
31	Inquire if performance-based incentives are awarded under written and objective performance criteria and are approved by the Board.	No exceptions were noted.
32	Compare the Company's stock option scheme with the requirements set out under Principle 5 of the Code.	No exceptions were noted.
33	Inquire if shareholders have approved each of the Company's performance-based incentive scheme and obtain a copy of the approval.	No exceptions were noted.

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Sr. No.	Procedures	Findings
<b>PRINCIPLE 6: EFFECTIVE MANAGEMENT</b>		
34	Inquire if Board has developed internal regulations prescribing each senior officer's (comprising of the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the Secretary at minimum) job title, authorities, roles and internal reporting responsibilities.	No exceptions were noted.
35	Inquire if the BOD has performed an annual review of the succession plan for the Chief Executive Officer ("CEO") and inspect a copy of the assessment.	We inquired with the financial controller and noted that the Company has not appointed a CEO and as per the Company structure, Mr. Garfield Jones is the managing director of the Company. The Board of Directors has not performed an annual review of succession plan for Managing Director.  No other exceptions were noted.
36	Inquire if the Board has placed limits on the authority of the CEO or any other officer including the maximum financial limit set for transactions that can be authorized by the CEO without the Board approval; and  Inspect copy of the Company's authority matrix	We inquired with the financial controller and noted that the Company has a Bank Mandate which requires: <ul style="list-style-type: none"> <li>• On amounts up to BD1,000 or equivalent, Financial Controller and any Board member can authorize.</li> <li>• For unlimited amount, Financial controller and any Board member can authorize.</li> </ul> No other exceptions were noted.

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<b>37</b>	<p><b>PRINCIPLE 7: SHAREHOLDER COMMUNICATION AT THE ANNUAL GENERAL MEETING</b></p> <p>Inquire if the Company has complied with the requirements of the Commercial Companies Law in respect of the shareholders' general assemblies including the requirements as set out under Principle 7 of the Code.</p>	<p>We inquired with the financial controller and noted that the Company is not complying with the requirements of the Commercial Companies Law in respect of the shareholders' general assemblies including the requirements as set out under Principle 7 of the Code:</p> <p>The Company has not assigned a specific section on their website thereof to describe shareholders' rights to participate and vote at each shareholder's meeting.</p> <p>The notice and agenda of AGM is available on Bahrain Bourse. The notice and agenda of all AGMs are available on the Bahrain Bourse website. However, the Company is in the process of creating the necessary section on the website and will upload the relevant information as required to ensure adherence to the highest standards of transparency in governance matters.</p> <p>No other exceptions were noted.</p>

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<b>PRINCIPLE 8: CORPORATE GOVERNANCE DISCLOSURES</b>		
38	Check that the Company has published its Code on the website.	No exceptions were noted.
39	Inspect the minutes of the last AGM that the Chairman reported to the shareholders on the Company's governance in accordance with Appendix 5 of the Code, explaining the reasons for non-compliance, if any.	The last AGM was held on 24 March 2021, while the Code is effective from October 2018, therefore the minutes of last AGM are not in conformity with the appendix 5 of the code. But the Company has explained the reasons for non-compliances with the Central Bank of Bahrain Volume 6.
40	Check that the Board Corporate Governance Committee ("CGC") consists of at least 3 independent directors, who are responsible for developing and recommending changes from time to time in the Company's corporate governance policy framework.	The Board Corporate Governance Committee ("CGC") consists of three directors. Out of three directors, two are independent and one is non-independent. They are responsible for developing and recommending changes from time to time in the Company's corporate governance policy framework.  The point relating to independent directors have been discussed in the Board of Directors meeting and they are of the opinion that these do not dilute the highest standards of corporate governance that the Company maintains and at present it is not possible to keep the required Board Committee composition as required by the Ministry of Industry and Commerce regulations. However, the Board of Directors have noted the point and commented that the Company will aim to formulate the Committees as per the regulatory requirements in due course.  No other exceptions were noted.
<b>PRINCIPLE 9: ADHERENCE TO ISLAMIC SHARI'A</b>		
41	Check that the Shari'a Supervisory Board ("SSB") consists of at least 3 Shari'a scholars.	Not applicable to the Company.
42	Check the Shari'a Corporate Governance Committee ("SCGC") consists of at least 3 members, one of whom is the Company's Shari'a supervisory board member.	Not applicable to the Company.

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Sr. No.	Procedures	Findings
<b>PRINCIPLE 10: APPOINTMENT OF EXTERNAL AUDITORS</b>		
43	Inquire if the Company's external auditors were appointed taking into account the considerations as set out in Principle 10 of the Code.	No exceptions were noted.
<b>PRINCIPLE 11: CORPORATE SOCIAL RESPONSIBILITY</b>		
44	Inspect the Company's last annual report and check it contains a section on the Company's corporate social responsibility activities.	We have checked the last annual report of the Company for the year ended 31 December 2020. The annual report did not contain any section of the Company's corporate social responsibility activities.
45	Inquire if the Company has developed an annual strategy or plan to implement the corporate social responsibility philosophy, policies and principles towards the community that include the minimum requirements as set out under Principle 11 of the Code; Inspect a copy of the strategy/plan.	The Company does not have annual strategy or plan developed for the implementation of the corporate social responsibility. No other exceptions were noted.