



## Governance Report 2018

### 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 the transactions of the members of the Board of Directors

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 2018.

### 3. Board of Directors Composition

a- 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 Manna'ei - 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	Bachelor of Administration, Finance and Financial Institutions / Kuwait University - Diploma of Credit	Since 2008 to date	Nothing	Nothing



		unlisted	Management / Institute of Banking Studies, Kuwait  Holder of several professional certifications in Business Administration and Finance from London Business School & IMD			
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	Bachelor of Business Administration	Since 2012 to date	Nothing	Head of Real Estate Sector Working Group in Sharjah Chamber of Commerce & Industry



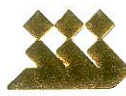


		estate development and investment – management consultancy – owner of Chinese House Restaurants				
6- Yaqoub Abdullah Yaqoub Al Wazzan	Non-executive member	Worked in the Insurance Department / Kuwait Oil Company / Assistant Managing Director in the Association & Gulf Transport Company  CEO of Kuwait 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

- 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- The total Board members remunerations paid for the fiscal year 2017 amounted to 875000 AED.
- 2- Proposal of non-distributing remunerations to the Board members for the year 2018.
- 3- There are no allowances received for attending the committees meetings during the year 2018.



#### e- Board meetings

The Board of Directors of Sharjah Group has held meetings during the year 2018 as detailed below:

Board Member	22/02/2018	30/04/2018	18/07/2018	28/10/2018
Ziyad Mohamoud Khairallah Al Haji	*	*	*	*
Ebrahim Ahmed Al Mannaei	*	*	By proxy	*
Mohammed Abdullah Al Wazzan	*	*	*	*
Humid Obaid Al Matrooshi	*	*	*	*
Khalid Abdul Aziz Kashwani	*	*	By proxy	*
Yaqoub Abdullah Al Wazzan	*	*	*	By proxy
Nasr Bakhit Al Muhairi	*	-	*	*

#### f- Statement of the BOD's tasks and functions which were performed by the Executive Management pursuant to an authorization by the BOD to the Management

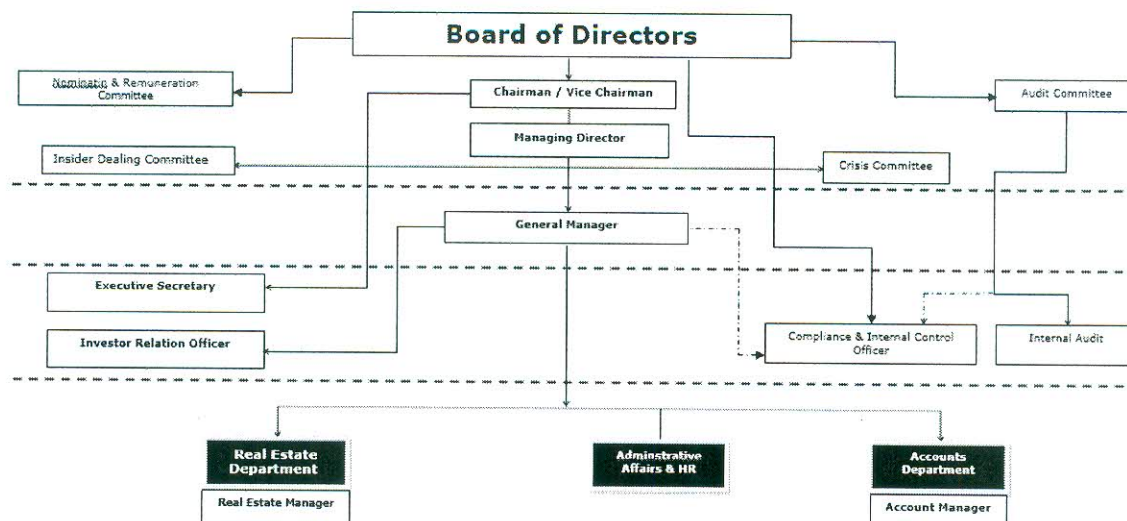
The Board of Directors of Sharjah Group has adopted a policy that would allow and enable governance, including that the Executive Management members pay special attention to the duties assigned to them. The Board has authorized with certain levels of power the Managing Director for three years to carry out the company's business inside and outside the State, including expressing an independent opinion about the company's strategies and policies, evaluation of performance, sufficiency and quality of human resources, approved work standards, ensuring change in giving priority to the company's best interest in which there could be a conflict between the company's interests and relevant parties' interests and the execution of all works reasonably necessary to achieve the company's objectives. The Managing Director can delegate any of his powers to the Executive Management staff as needed. In addition, the company adopts a written policy and procedures approved by the Board of Directors in relation to the approval of procurement (goods and services), salaries, expenses related to the staff, petty expenses operations and other operational and administrative works.

#### g- Statement of the details of trading done with relevant parties (Stakeholders)

There is no trading with relevant parties within the scope of the concept of governance during the year 2018.



#### h- Organizational structure of Sharjah Group Company



#### i- A detailed statement of the senior executive staff in the first and second levels according to the Company's organizational structure.

Position	Date of Appointment	Total Salaries and Allowances paid in 2018 (AED)	Total Bonuses paid in 2018 (AED)	Any other Cash/in-kind benefits for 2018 or payable in the future
Managing Director	2004	562,226	Nil	173,332
General Manager	1979	411,033	Nil	79,000
Chief Accountant	1985	194,395	Nil	37,400
Real Estate Manager	2006	185,920	Nil	26,320

#### 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 Grant Thornton Company, a member of the International Grant Thornton Company, operating in UAE since 1998, 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 the fees and costs of audit or services provided by the external audit as per the following schedule:

Name of Auditing Firm	Grant Thornton
Number of years served as an external auditor for the company	3 years
Total fees for auditing the financial statements of 2018	145,000 AED
The fees and costs of the special services other than the auditing of the financial statements in 2018	Nothing
The details and nature of other services provided	Nothing
A statement of the other services performed by an external auditor other than the Company's auditor in 2018	Nothing

**A statement of the qualified opinions made by the company's external auditor in the interim and annual financial statements for 2018.**

There are no qualified opinions included by the company's auditor in the interim or annual financial statements for the year 2018

**5. Audit Committee**

a- 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 Mannaei      Head of Committee
- 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.

b- Committee meetings

Name	22/02/2018	30/04/2018	28/10/2018	30/12/2018
Ibrahim Ahmed Al Mannaei	*	*	*	*
Yaqoub Abdullah Al Wazzan	*	*	-	*
Khalid Abdul Aziz Kashwani	*	*	*	*

## 6. Nomination & Remuneration Committee

a- 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 Head of Committee
- 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.





## b- Committee meetings

Name	22/ 2/ 2018	30/ 4/ 2018
Khalid Abdul Aziz Kashwani	*	*
Ibrahim Ahmed Al Mannaei	*	*
Yaqoub Abdullah Al Wazzan	*	*

## 7. Insiders' Trading Follow-Up and Supervision Committee

## a- 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

## b- Committee meeting

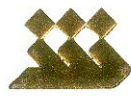
Name	11/01/2018	1/04/2018	28/07/2018	2/10/2018
Batoul Assi	*	*	*	*
Najwa Farah	*	*	*	*

Summary of the Committee's activities in 2018

Trading on the company's stocks during the fourth quarter of 2017 and the first, second and third quarters of 2018 in Abu Dhabi Securities and Exchange were viewed and it proves the insiders' non-trading on the stocks in the prohibition periods.

## 8. Any committee or other committees approved by the Board of Directors

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



## 9. Internal Control System

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.

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. Among the internal audit work team supporting the internal control work is Mr. Zaman Boukhari from Mazars Consulting; he is a member of the British Institute of Chartered Accountants. He worked in the international audit offices for more than 12 years; he is a member of the Chartered Accountants Institute in England and Wales and a member of the Certified Chartered Accountants Association.

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.

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.

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.

## 10. Details of the violations committed during the year 2018

There were no violations during the year 2018.





## 11. A statement of the cash and in-kind contribution made by the Company during the year 2018 toward the local community development and environmental conversation

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- Confidence Club for Disabled, an amount of 15000 AED 2- Sharjah City for Humanitarian Services, an amount of 15000 AED 3- Al Qasimi Hospital, an amount of 30000 AED.

## 12. General information

### a- A Statement of the company's share price in the market during the fiscal year 2018

Month	Lowest Price	Highest Price	Closing Price
January	1.15	1.15	1.15
February	1.15	1.15	1.15
March	1.15	1.15	1.15
April	1.15	1.15	1.15
May	1.3	1.3	1.3
June	1.15	1.4	1.15
July	1.32	1.35	1.35
August	1.3	1.3	1.3
September	1.3	1.3	1.3
October	1.2	1.2	1.2
November	1.2	1.2	1.2
December	1.08	1.1	1.08



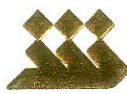


b- A statement of the comparative performance of the company's share with the market index and the sector index during year 2018

Month	General market index %	Sector index %	Company's share price %
January	(0.63)	165.00	0
February	(0.03)	(172.47)	0
March	1.02	(106.09)	0
April	(0.34)	(40.15)	0
May	1.05	(55.01)	13.04
June	0.34	(109.30)	(11.54)
July	0.27	18.66	17.39
August	0.48	(187.09)	(3.70)
September	(0.33)	(140.01)	0
October	0.95	(128.58)	(7.69)
November	(2.23)	(219.07)	0
December	1.89	(89.40)	(10.00)

c- Statement of the shareholders' distribution

S.N.	Shareholder Category	Percentage of Shares Held			
		Individual	Companies	Government	Total
1	Local	6.70	1.54	0.00	8.24
2	Arab	49.23	39.44	1.28	89.95
3	Foreign	1.78	0.02	0.00	1.8
*	Total	57.72	41	1.28	100

**d- A statement of the shareholders who hold 5% or more of the company's capital**

Name	Number of Shares Held	% of the Shares Held of the Company's Capital
Scaler Group For General Trading & Contracting	14,776,226	18,73 %
Al Fotouh Holding Company	3,982,767	5.05 %

**e- A statement of the shareholders distribution by the size of equity as of 31/12/2018**

S.N.	Share(s) Owned	Number of Shareholders	Number of Share Held	% of the Shares Held of the Capital
1	Less than 50,000	8103	15,310,160	19.40 %
2	From 50,000 to less than 500,000	143	20,772,554	26.33 %
3	From 500,000 to less than 5,000,000	24	28,042,146	35.54 %
4	More than 5,000,000	1	14,776,226	18.73 %
*	Total	8271	78,901,086	100 %

**f- A statement of the procedures taken with respect to the controls of investors' relations**

- Investor relations officer: Najwa Farah Achouh, direct: 065565570 – email: [info@sharjahgroup.ae](mailto:info@sharjahgroup.ae)
- Website: [www.sharjahgroup.ae](http://www.sharjahgroup.ae)
- You may refer to the Guidebook to Rights of Securities Investors in the United Arab Emirates via the following link:

[http://www.sca.gov.ae/\\_layouts/download.aspx?sourceUrl=/Arabic/awareness/publications/SIR\\_AR.pdf](http://www.sca.gov.ae/_layouts/download.aspx?sourceUrl=/Arabic/awareness/publications/SIR_AR.pdf)

**g- A statement of the special resolutions presented to the General Assembly held in 2018 and the procedures taken with respect thereto**

There are no special decisions discussed in the General Assembly held during the year 2018.

**h- The name of the Board secretary and the date of his hiring**

Rapporteur: Abdul Rahman Abdullah Al Mahmoud

Date of hiring: 25<sup>th</sup> May 1998



**i- A statement of the significant events that took place in the Company in 2018**

- 1- Disclosure of having no investments or relation between Sharjah Group Company and Abraaj Group.
- 2- A Preliminary judgment decreed from Sharjah Federal Court of First Instance – civil, commercial and administrative Second Plenary Circuit dismissing the case No 5283 / 2016, signing off the judgment issued for claiming for writ of execution as well as dismissal of legal interest accounted more than original adjudicated amount.
- 3- A judgment is rendered in favor of the company in the case No 3687 / 2016 due to lack of jurisdiction of Bahrain Chamber or Bahrain Courts to settle the dispute.
- 4- An appeal judgment has been rendered by Sharjah Federal Court in the case No 5283 / 2016 with formality acceptance and refusal in subject matter of the appeal, and upholding the preliminary judgment.

**j- A statement of the Emiratization percentage in the company as of 2018**

There is no Emiratization percentage in the company.

**k- Statement of the innovative projects and initiatives implemented by the company or which were under development during 2018**

There are no projects or innovative initiatives done by the company or underway during the year 2018.

Ziyad Mohamood Khairallah

Chairman

Date