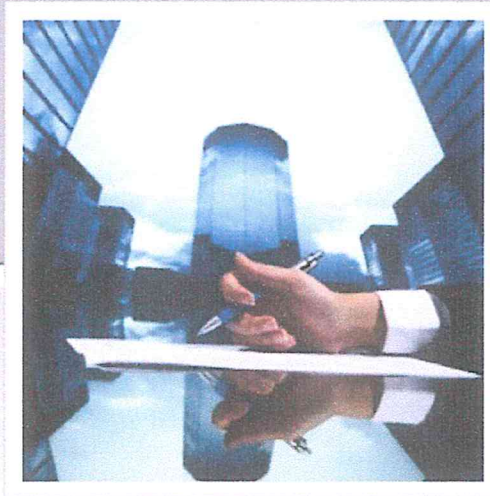




شركة أبوظبي الوطنية لمواد البناء
ABU DHABI NATIONAL CO. FOR BUILDING MATERIALS



Governance Report for the Fiscal Year 2019

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Vision

To be the first company in UAE, region and Arab Countries, to support and promote the development of the construction sector with all products and tools that it needs according to the highest standards in the world.

Mission

To be an inspiration to other companies and locomotive, dragging them to the highest levels of future development and construction.

Objectives

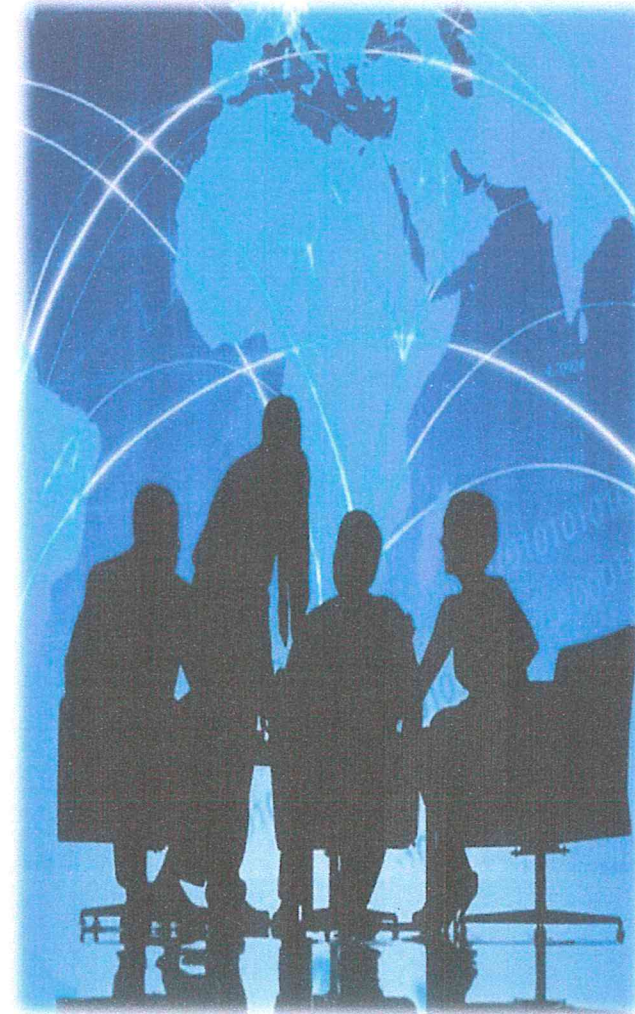
The Abu Dhabi Company for Building Materials (Bildco) is the name behind some market's most trusted and recognized brand names in providing and manufacturing building products for residential and commercial construction projects.

We run high standard manufacturing facilities and a powerful distribution network to service our customers across the UAE and the region. And since these products come from Bildco, our customers can be sure such products are manufactured to meet the highest international standards.

Strategy

The company's strategy during (2019-2020) is crystallized in the following items:

- ❖ Continually re-investing in our business to meet fresh challenges in construction.
- ❖ Developing more innovative products right across our portfolio, targeting the buildings of the future
- ❖ Continuously improve, so that our customers benefit from our knowledge and our expertise.
- ❖ Acquire new resources to offer our customers with the service they need to get their job done.



Abu Dhabi National Company for Building Materials - BILDCO (PJSC) makes every effort to achieve the objectives for which it was established, increase the revenues of the Company, and develop and enhance its business by adopting an ambitious work plan that aims to add new production lines and set up a plant for producing adhesives for building materials which shall contribute to the overall economic development of the Emirate of Abu Dhabi. The fiscal Year 2019 has witnessed significant developments in the field of modernization and expansion of corporate discipline systems, which includes:

- Updating the system and the corporate governance guide to adhere to the decision of the Chairman of SCA Board of Directors No. (3 / R. M) for the year 2020 on adopting a guide to governance of public shareholding companies.
- Giving several presentations before the board and executive management, by the consultant who is in charge of developing and updating the governance guide and system.
- Updating financial and administrative regulations.-Updating and developing the Company's computer system according to international best practices.
- Updating the internal control system to comply with the provisions of both laws and adhere to the decision of the Chairman of the Board of Directors of the entity mentioned above.-Preparation of manual and rules on professional conduct.

The Company's Board of Directors and Executive Management spares no effort in restoring the Company's proper place in the field of building materials, trade, and industry. To achieve this, an ambitious medium-term work plan covering the period (2020-2021) has been developed to cover the accumulated losses and generate profits till we reach a stage in which the Company continuously and sustainably makes cash distributions to the Company's shareholders. Finally, we present to the esteemed General Meeting the Corporate Governance Report for the fiscal year 2019, including the main items under the requirements of the Securities and Commodities Authority, along with some amendments made to the vision and mission of the Company in line with the objectives of the Company's work plan referred hereinabove.

This Section includes the following items:

- First Item: The grounds upon which the principles of corporate governance were applied.**
- Second Item: The measures taken to complete the Guide and the system of governance for the fiscal year 2019 and how they were applied.**

We will address these two items in detail as follows:

- First Item: The grounds upon which the principles of corporate governance were applied.**

When applying governance, Abu Dhabi National Company for Building Materials - BILDCO has committed itself to the provisions of the following sources:

- The relevant articles of the Federal Law No. (2) of 2015 concerning the Commercial Companies ;
- The related sections of the decision of the Chairman of the SCA Board of Directors No. (7 / M.R) for the year 2016 on the standards of corporate discipline and the governance of public shareholding companies.
- The relevant articles of the Company's Articles of Association, after being amended to comply with the provisions of Federal Law No. (2) for the year 2015 concerning commercial companies.
- The relevant standards included in the principles of the Organization for Economic Cooperation and Development (OECD).

- It is worth mentioning that the Company adopted a governance guide that meets the international and local best practices and fully complies with the relevant sources referred to in the first item above, according to which this report was prepared. Also, The Board of Directors subjects this Guide to periodic review, and any amendments or changes made to the Board, executive management or administrative and financial regulations or policies governing the work of the Company, shall be added to that.
- The Company treats the Corporate Governance Guide as an essential document, as it contains the standards of corporate discipline which may not be violated or breached under any justification, and as It deals with work policies and procedures within the executive management, as well as full compliance with disclosure, transparency, and control from more than one side and the internal management.

- Second Item: The measures taken to complete the Guide and the system of governance for the fiscal year 2019 and how they were applied.**

The Board of Directors thoroughly reviewed and evaluated the contents of the approved governance guide. The amendments proposed by the Securities and Commodities Authority (ESC) and Abu Dhabi Securities Exchange (ADX), as the official competent authorities to which the Company is subject, were immediately made.

The most important of these amendments are as follows:

- Issuing a code of professional conduct for the Company and distributing it to employees.
- Distributing the governance guide to the members of the Board of Directors, department managers, and all employees holding leadership positions.
- Requesting the consultant who prepared the governance system and guide to make a presentation to the members of the Board of directors and department managers and all employees holding leadership positions.
- Signing confidentiality acknowledgment by the employees of the Company.
- Circulating the Guide, rules, principles of professional conduct to the employees of the Company.

- The Board of directors of the company makes sincere efforts to ensure continuous and sustainable growth and implement the objectives set out in the company's strategic plan and any periodic revisions made to that, and to even exceed them when necessary, in line with the binding legislation and laws applicable in the state.
- Furthermore, the Board works hard to employ the best professional human resources, considering the same as one of the essential elements of success, to ensure the realization of the objectives of the shareholders of the company and to participate in the economic and social development of UAE actively.

We will address this chapter in the following items:

- A statement of transactions of the Board of Directors' members and their spouses and children in the company's securities for the fiscal year 2019
- Formation of the Company's Board of Directors.
- Female Members in the Board of Directors for the fiscal year 2019
- Directors' Remunerations in Total
- Statement of Allowances for Attendance of meetings of committees of the Board of Directors.
- Number of Board meetings held in the fiscal year 2019.
- Duties and responsibilities of the Board of Directors undertaken by the Executive Management by virtue of authorization from the Board.
- A statement with the details of transactions made with related parties.
- The company's organizational structure for the fiscal year 2019.



Transactions of the Board of Directors' members and their spouses and children in the company's securities for the fiscal year 2019 are as follows:

The transactions of the Board of Directors' members and their spouses and children in the Company's securities for the fiscal year 2019 are limited to the following transactions:

S.NO	Name	Position / kinship	Shares held as at 31/12/2019	Total sales	Total purchases
1	H.E Saif Darwish Al Ketbi	Chairman	6,051,575	0	0
2	H.E. Nasser Saif Majid Al Mansour	Vice-Chairman	0	0	0
3	H.E. Ali Rashid Nasser Al-Omairah	Managing Director	62,813,806	0	0
4	Mr. Rashid Ali Rashid Al-Omairah	Director	1,000	0	0
5	Mr. Saeed Saif Darwish Al Ketbi	Director	846,965	0	0
6	Mr. Suhail Saeed Abdullah Al-Falasi	Director	1,000	0	0
7	Mr. Khalid Khalifa Swaih Al Nuaimi	Director	0	0	0

S.NO	Name	Category: Executive, non-executive and independent	Expertise	Qualifications	Term of Office of Board Members	Board Members' membership and positions in any other joint stock companies	Board Members' positions in any other important regulatory, governmental or commercial positions.
1	H.E Saif Darwish Ahmed Al Ketbi	Non-executive/ Non-Independent	Vice-Chairman of the Board of Directors 1999-2010 Chairman of the Board of Directors as of 2010 - till the date		2010 till the date		
2	H.E. Nasser Saif Majed Al Mansour	Non-executive Independent	CEO of Etihad Rail. Professor of Planning Management- Faculty of Engineering.	PhD in Urban Studies	2013 till the date	- Member in the Board of Directors of Emirates Transport	-
3	H.E. Ali Rashid Nasser Al-Omairah	Executive Non-Independent	Vice-Chairman of the Board of Directors from 2013 till 2018 Member of Board of Directors from 1999 till the date Member of Board of Directors from 1993 till 1999		1993 till the date		
4	Mr. Rashid Ali Rashid Al-Omairah	Non-executive Independent	- Member in Al Wathba National Insurance Company's Board of Directors - Chairman of Rayah Capital - Vice Chairman of Rayah Capital Company - Member in the Board of Directors of Rayah Capital Company. - Member in Emirates Insurance Association's Board of Directors		2015 - till the date	- Member in Al Wathba National Insurance Company's Board of Directors - Member in Waha Capital Company's Board of Directors	
5	Mr. Saeed Saif Darwish Al Ketbi	Non-executive Independent	Director of Emergency Department- Abu Dhabi Distribution Company	Bachelor of Engineering	2017 - till the date		
6	Mr. Suhail Saeed Abdullah Al-Falasi	Non-executive Independent	Director of Talent Management in Abu Dhabi Quality and Conformity Council	Bachelor of Business Administration	2017 - till the date		
7	Mr. Khalid Khalifa Sawayeh Al Nuaimi	Non-executive Independent	Project Manager - Crown Prince's Court	Bachelor of Business Administration	2017 - till the date		

The Board members acknowledge the accuracy of the aforesaid information.

- No female members on the Board.
- There are no restrictions on the candidacy of women to any administrative or executive positions or membership of the Board of Directors, and no one has applied for the same in the new session that started after holding the Annual General Meeting of the company for the fiscal year 2017.



As follows:

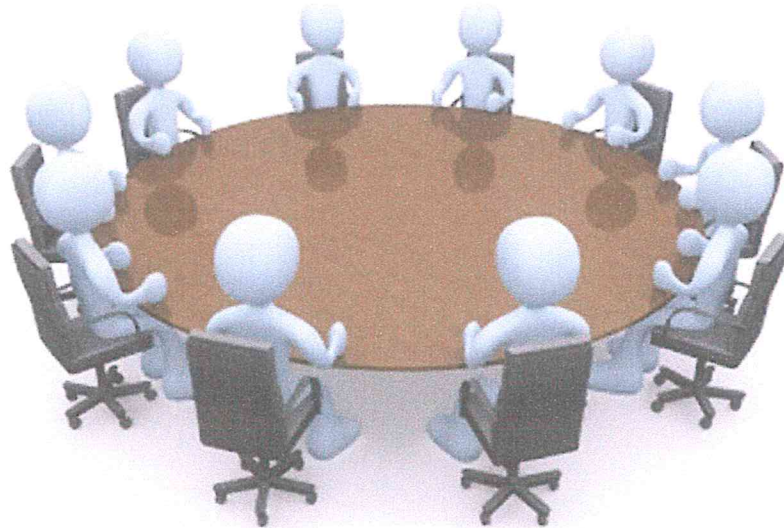
Total remunerations paid to Directors for the year 2018.

- There are no paid remunerations for the year 2018

Total remunerations proposed to be paid to directors for the year 2019 and which will be discussed at the Annual General Meeting

For approval.

- There are no remunerations proposed for the year 2019.



The following table shows the attendance allowances of attending meetings of the committees of the Board of Directors for the fiscal year 2019 and the share of each member in these allowances for approval of the General Meeting.

S.NO	Name	Allowances for Attendance of meetings of Board of Directors' committees		
		Name of Committee	Allowance Value	No. of Meetings
1	Dr. Nasser Saif Majid Al Mansour	Auditing	40,000	8
2	Mr. Suhail Saeed Abdullah Al-Falasi	Auditing / Nominations	35,000	7
3	Mr. Khalid Khalifa Swaih Al Nuaimi	Auditing / Nominations	35,000	7
4	Mr. Saeed Saif Darwish Al Ketbi	Nominations	5,000	1

Breakdown of allowances, salaries or addition fees received by the members other than the allowances for attending meetings of the board of directors' committees.

- N/A

According to the provisions of Article (29) of the Articles of Association of the Company, which stipulates that «the Board of Directors shall meet (4) four times a year, i.e., at least once every three months ».

The following table shows the number of meetings of the Board of Directors held during the fiscal year 2019, its dates, times of personal attendance of all members, and presence through attorneys.

Sr	Meeting Date	No. of Attendants	Attendants by Proxy	Absent Members
1	31 March 2019	5	0	1. H.E Saif Darwish Al Ketbi 2. Mr. Khalid Khalifa Swaih Al Nuaimi
2	15 May 2019	5	0	1. H.E Saif Darwish Al Ketbi 2. Mr. Khalid Khalifa Swaih Al Nuaimi
3	10 August 2019	4	0	1. H.E. Nasser Saif Majid Al Mansour 2. Mr. Khalid Khalifa Al Nuaimi 3. Mr. Saeed Saif Al Ketbi
4	16 October 2019	7	0	N/A
5	14 November 2019	7	0	N/A

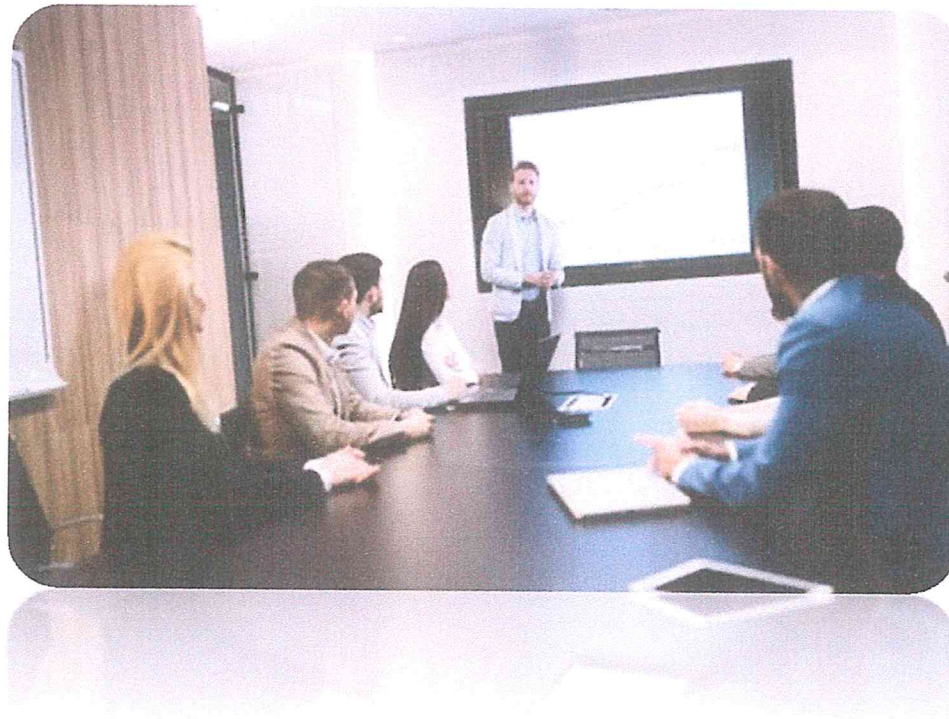
Number and dates of board resolutions passed during the fiscal year 2019:

No board resolutions were passed in 2019



Duties and responsibilities of the Board of Directors undertaken by a board member or the Executive Management by virtue of an authorization from the Board.

The Board of Directors undertook its work and has not authorized the Executive Management to carry out any specific business.



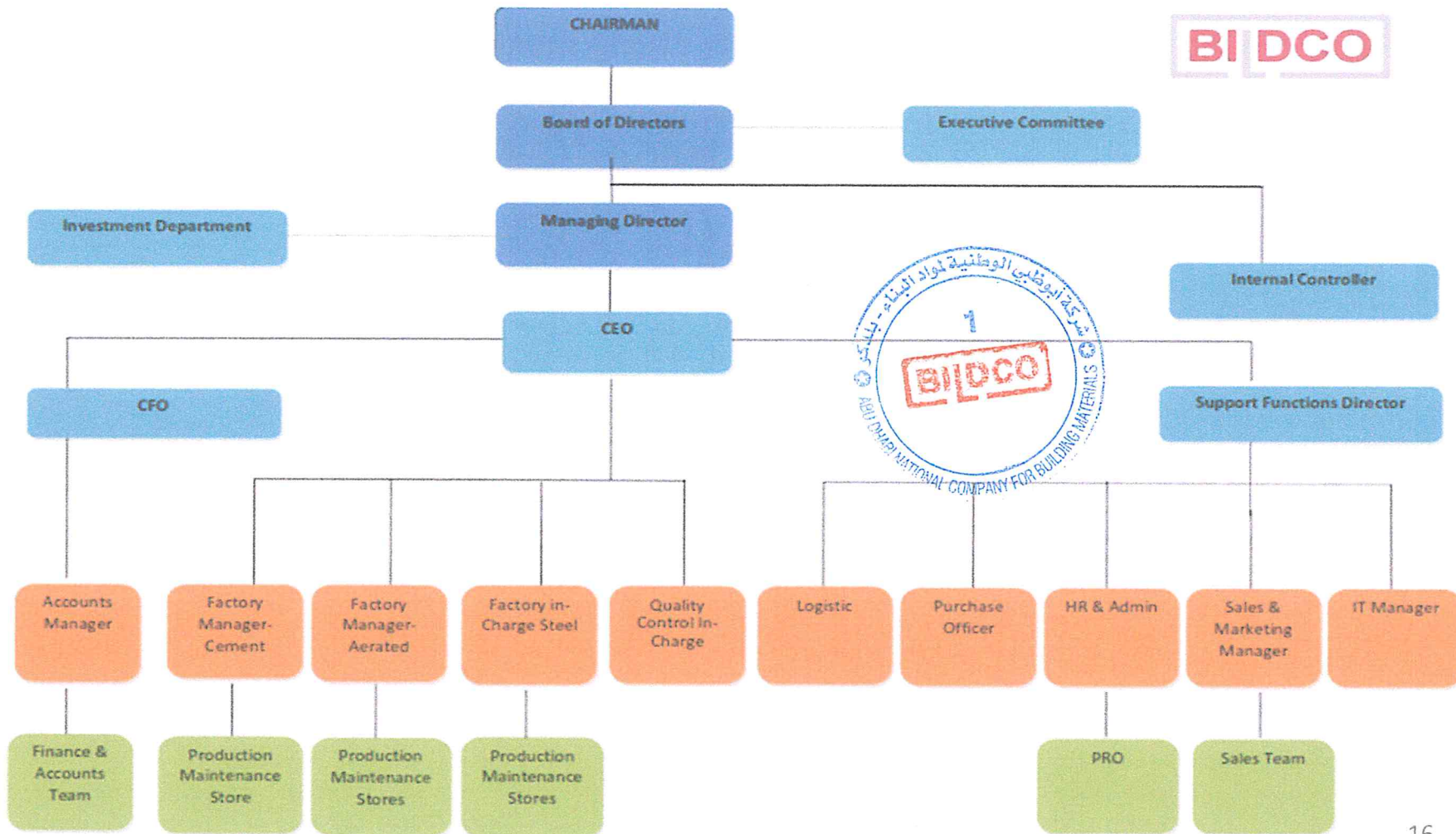
A statement with the details of transactions made with related parties (stakeholders), indicating the nature of the relationship and the type of transaction.

Sr.	Related Party	Relation	Transaction Type	Transaction Value
1	Darwish bin Ahmed & Sons	Chairman	Suppliers/Clients	1,116,569
2	Al Omairah Typing	Managing Director	Suppliers	125,122
3	Saif bin Darwish	Chairman	Suppliers/ Clients	7.823,112

It is worth mentioning that the Company did not enter into any transaction that equals or exceeds 5% of its capital with any related party or others.



It is worth mentioning that the Company has updated, developed, and restructured its management. Thus, the organizational structure of the Company has been developed in a way that complies with this new version, so that it includes the first and second level of the staff at a minimum. In addition, the organizational structure shall consist of the general manager and/or the chief executive officer, Deputy General Manager, and the managers of the Company, such as Chief Financial Officer(CFO).



The executive management of the company carries out all duties, tasks, and responsibilities assigned to it by the Board of Directors and undertake the day-to-day businesses. The following table provides the details of senior executives in the first and second level according to the organizational structure of the company, their functions and the dates of their appointment, along with the total salaries and bonuses paid to them:

S.NO	Role	Date of appointment	Total salaries and allowances paid for the year 2019 (in UAE Dirham)	Total bonuses paid for the year 2019 (Bonuses) (in UAE Dirham)	Any other cash / in-kind bonuses for the year 2019 or in the future
1	Managing Director	1999	600,000	-	-
2	Chief Executive Officer	January 2018	600,000	-	-
3	Accounting Manager/ Acting Chief Financial Officer	February, 2018	204,000	-	-
4	Internal Controller	February, 2017	360,000	-	-
5	Director of Cement Products Factory	January 2016	180,000	-	-
6	Director of Aerated Concrete Products Factory	September 2016	180,000	-	-
7	Director of Cutting and Bending Factory	January 2016	72,000	-	-
8	Sales Manager	1998	324,000	-	-
9	Computer Department Manager	2008	303,240	-	-

The Board of Directors of the Company resolved, according to the Federal Law, decision of the Chairman of SCA Board of Directors, the Company's Articles of Association, and the Governance Guide, to approve policy of appointing External Auditor, which sets out the framework, scope and powers of the External Auditor while ensuring his full independence in carrying out the assigned task. The Policy also sets out the rules according to which the auditor shall be selected. According to these rules, the Board of Directors recommend auditors, and present its recommendations in the General Meeting for consideration and approval or rejection.

The Audit Committee also overseen the tender it offered for appointment of an external auditor for the company, and interviewed each auditor in order to ascertain his expertise and knowledge of the tasks assigned to him, and that the auditor is registered with the Securities and Commodities Authority and within its list of auditors. Having reviewed the recommendations made by the Audit Committee, The Board of Directors decided to propose the appointment of M/s Crowe Mak as the external auditors of the Company's accounts for the fiscal year 2019 and the founding partner Dr. Khaled Maniar assumed the responsibility of auditing the company accounts. It is worth mentioning that the General Meeting of the Company has approved the proposal of the Audit Committee to appoint the External Auditor.

Overview of the Auditor (Crowe Mak)

- Crowe UAE was founded by Dr Khalid Maniar in 1981, as a sole practitioner and since then has grown from strength to strength. The firm was established under the name of Mak & Partners with a humble beginning through an office apartment on Al Maktoum Road. Dr. Khalid first moved to Dubai, UAE, in the early 1980s seeking to establish an accounting practice from the experience he gained working at Siddique & Partners in the UK, whilst pursuing his Association of Certified Chartered Accountants (ACCA) qualification. It was registered at SCA as a certified auditor for auditing the joint stock companies.

Statement of fees and costs related to the audit or services provided by the external auditor, which should include the details and nature of the services and the due fees, and indicates the other services that were performed by an external auditor other than the auditor of the company during the year 2019. In addition, the statement should indicate the number of years spent by the auditor as an External auditor for the accounts of the company. According to the following table:

Name of Auditing Firm	Crowe Mak
Number of years spent as an external auditor of the company	One year
Total fees paid for auditing the Financial Statements of the year 2019 (In UAE Dirham)	AED 95,000
Fees and charges for special services other than the audit of the financial statements for the year 2019 (in UAED Dirham), if any, and in absence of any other fees, this should be expressly stated	AED 12,500
Details and nature of the other services provided, if any, and in absence of any other fees, this should be expressly stated	Auditing the unclaimed dividends report which have been prepared at the request of SCA
A statement of the other services performed by <u>an external auditor</u> other than the auditor of the company in 2019 (if any). In absence of another external auditor, this should be expressly stated	There are no other works

Statement of reservations made by the auditor in the interim and annual financial statements for the year 2019:

The auditor declined to express an opinion on the financial statements due to insufficient audit evidence for the following points:

1. Evaluation of the recoverable amount of a capital business under development.
2. Evaluation of the impairment of trade receivables.
3. Evaluation of the decrease in the value of other receivables at a value of 2.5 million dirhams.
4. Evaluation of the impairment of property, building and equipment for the areal block factory.
5. Evaluation of the depreciation of the spare parts inventory in the company.
6. Evaluation and classification of the company's investment properties.
7. Classification and outcome of the investments of shares portfolio.
8. Confirmation of the company's loans.



Under the provisions of Article (24 / b) of the Articles of Association of the Company, The Board of Directors has formed and approved the following committees:

- AUDIT COMMITTEE.
- Nominations and Remunerations Committee
- Committee Concerned with Following up and supervising transactions of "insider" persons

The Board of Directors has also granted them certain powers and authorities that are commensurate with the nature of their work so that they carry out their functions efficiently and unhindered. Further, these committees are entrusted with responsibilities related to specific matters and issues of concern to the company, to assist the Board of Directors in discharging its duties and functions by providing relevant advice and recommendations. Each committee shall consist of three members of the Board of Directors including the Chairman, and shall operate in accordance with the written terms and conditions approved by the Board of Directors. The following are the committees of the Board of Directors:

□ **AUDIT COMMITTEE**

- Acknowledgement of the audit committee president on his responsibility for the committee system, review of its method of work and confirming its activity.
- Dr. Nasser Saif Majed Al Mansoury, president of the audit committee, acknowledged his responsibility for the system of the company committee, review of its method of work and confirming its activity.
- The primary duties and responsibilities of the Audit Committee:

The Audit Committee has been formed to carry out the tasks and responsibilities stated in both the Company's Articles of the company and the decision of Chairman of the SCA Board of Directors. The main duties of the Audit Committee are as follows:

- Setting and implementing the policy of contracting with the auditor, submitting a report to the Board of Directors, specifying the issues against which the committee deems it is necessary to take procedures, and presenting the committee's recommendations concerning the steps required to be taken....etc.;
- Controlling correctness of the company's financial statements and reports (annual, semi-annual, quarterly) and auditing them as part of its regular work during the year.

- Coordinating the financial policy and the duties of all the members of the financial department team in the company,..etc. with the Board of Directors, the Executive Management, and the Chief Financial Officer.
- Ensuring the company's compliance with all legal and regulatory rules, monitoring company accounts, developing corporate discipline, and corporate governance standards.
- Auditing the financial control, internal control, and risk management systems of the company.
- Ensuring that there is coordination between the Internal Auditor and the External Auditor.
- Continuous reviewing of financial and accounting policies and procedures and working on sustainable development.
- Monitoring the company's compliance with the Code of Professional Conduct.
- The main powers and authorities of the Audit Committee:

The following are the main powers and authorities granted by the Board of Directors to the Audit Committee:

- the Audit Committee shall have the right to examine any activity within its audit requirements and is authorized to have unrestricted access to the external auditor and obtain any professional advice on any matter relating to the accounts of the company.
- The Committee shall be authorized to request any information required from any employee or member of the Board of Directors, and the members of the Board of Directors and staff shall be directed to cooperate with any request submitted by the Committee.
- The Audit Committee shall consist of the following members:
- H.E. Nasser Saif Majid Al Mansour
- Mr. Suhail Saeed Abdullah Al-Falasi.
- Mr. Khalid Khalifa Swaih Al Nuaimi.

▪ **Meetings of the Board's Audit Committee:**

Number of meetings held by the Audit Committee during the year to discuss matters related to financial statements and any other matters, and their dates, in addition to, the number of personal attendance of members in these meetings.

Sr.	Name	First Meeting 31 March 2019	Second Meeting 13 May 2019	Third Meeting 2 July 2019	Fourth Meeting 12 August 2019	Fifth Meeting 12 November 2019	Sixth Meeting 13 October 2019	Seventh Meeting 12 November 2019	Eighth Meeting 17 December 2019	Total
1	Mr. Nasser Saif Al Mansour	✓	✓	✓	✓	✓	✓	✓	✓	8
2	Mr. Suhail Saeed Abdullah Al-Falasi	✓	✓		✓	✓	✓	✓		6
3	Mr. Khalid Khalifa Al Nuaimi	✓		✓		✓	✓	✓	✓	6
	Total	3	2	2	2	3	3	3	2	

□ **The Nominations and Remunerations Committee**

- Acknowledgement of the Nominations and Remunerations Committee President on his responsibility for the committee system, review of its method of work, and confirming its activity.
- Mr. Suhail Saeed Abdullah Al-Falasi, president of the nominations and remunerations committee, acknowledged his responsibility for the system of the company committee, review of its method of work and confirming its activity.
- The main duties and responsibilities of the Nominations and Remunerations Committee

The Nomination and Remuneration Committee was formed to undertake the duties and responsibilities stipulated in both the Articles of Association of the Company and the decision of Chairman of the SCA Board of Directors. The Nomination and Remuneration Committee is also responsible for determining the remunerations of the members of the Board of Directors, individually and in total according to the limits approved by the shareholders, setting the remuneration policy for the executive management associated with the performance of the company and determining the salary ceiling, including salaries, bonuses, and incentive programs. The committee is also responsible for preparing and reviewing human resources policies in compliance with the relevant laws and regulations and supervising the procedures of nominating members of the Board of Directors because the Company believes that the members of the Board should be rotated as part of its commitment to good practices.

- The main functions of Nominations and Remunerations Committee are as follows:
 - Reviewing and ensuring the independence of the members of the Board of Directors in the exercise of their functions and duties.
 - Preparing and reviewing the remuneration and wage policy of the Board of Directors and Executive Management.
 - Determining the Company's needs for qualifications at the Senior Executive Management level.
 - Organizing and reviewing the procedures of nomination to the Board of Directors.

- Preparing and reviewing of the human resources policy, and If the Committee finds that one of the members has lost the requirements of independence, it must submit the matter to the Board of directors of the Company. The Board of directors shall notify the member, via a registered letter to be sent to its fixed address with the Company, of the reasons justifying the absence of independence. The member should respond to the Board of Directors within fifteen days from the date of notification thereof, and the Board of Directors shall issue a decision to consider the member as independent or non-independent at the first meeting following the member's reply or the expiry of the mentioned period if he failed to reply. If losing this capacity by the member will not result in a violation of the requirements related to the minimum number of independent members within the Board of Directors, this should be considered when forming the committees, without prejudice to the provisions of the relevant articles of Companies Law No. (2) for the year 2015. If the Board's decision with the lack of the reasons or justification of the independence of the member shall affect the minimum percentage of independent members within the Board, The Board of Directors of the Company shall appoint an independent member to replace the Member, Provided that the order of appointment shall be submitted to the first general meeting of the Company to consider approving the decision of the Board of directors.

▪ The Powers of Nominations and Remunerations Committee:

The following are the main powers and authorities of the Nominations and Remuneration Committee:

- The Committee shall be authorized by the Board of Directors to examine any activity within its audit requirements and to have unrestricted access to and obtain any professional advice on any matter relating to the Company.
- The Committee shall be authorized to request any information required from any employee or member of the Board of Directors, and the members of the Board of Directors and staff shall be directed to cooperate with any request submitted by the Committee.

▪ Meetings of the Board's Nominations and Remunerations Committee:

A list of the number of meetings held by the Committee during the Fiscal year and its dates , indicating the number of personal attendance of all members of the Committee.

S.NO	Name	First Meeting 5 DEC 2019	Total
1	Mr. Suhail Saeed Abdullah Al-Falasi	✓	1
2	Mr. Saeed Saif Darwish Al Ketbi	✓	1
3	Mr. Khalid Khalifa Swaih Al Nuaimi	✓	1
	Total		3



- **Committee Concerned with following up and supervising transactions of “insider” persons**
 - Acknowledgement of the Committee President or the Authorized Person on his responsibility for the committee system, review of its method of work and confirming its activity.
 - Mr. Osama Abdelhareth Abu Bakr acknowledged his responsibility for the system of following up and supervising transactions of “insider” persons, reviewal of its method of work and confirming its activity.

Names of the members of Committee Concerned with Following up and supervising transactions of “insider” persons, and the duties and responsibilities entrusted to them.

- Mr. Osama Abdelhareth Abu Bakr.
- Mr. Hani Shaker Ali Habib.

Summary of the report of the Committee's work during the year 2019.

- Set up insider trading record.
- Follow-up trading of insider persons on the shares of the company.



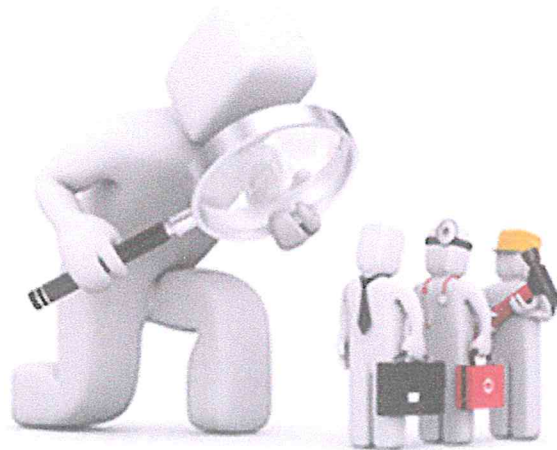
Abu Dhabi National Company for Building Materials - BILDCO - is responsible for the internal control and review of its effectiveness through the preservation of assets, maintaining correct financial statements and disclosing errors and irregularities. The Board of Directors is committed to reviewing the Audit Committee's report on the results of internal control activities and the periodic reports on control activities.

Internal control includes defining a clear organizational structure, codifying policies and guidelines, and identifying authorities, agencies, and performance monitoring mechanisms that have been set up to monitor the Company's operations effectively and regularly and ensure compliance with governance laws.

□ Board of Directors Role In Internal Control

- The Board of Directors recognizes its full responsibility for the internal control system, its audit, and its effectiveness.
- The Board of Directors shall be fully responsible for ensuring that the senior management prepares and implements an effective internal control system to provide reasonable guarantees for the efficiency of the operations, to provide accurate financial reports and to comply with the laws and regulations within limits stipulated in the Federal Law No. (2) of the year 2015 Concerning Commercial Companies and the decision of the Chairman of the SCA Board of Directors No. (3 / R .M) for the year 2020 on adopting a guide to governance of public shareholding companies.
- The Board of Directors authorized the Audit Committee to:
 - Audit risk management systems and internal control regulations at least once a year to ensure that all risks that may face the business objectives are mitigated by applying appropriate and effective regulations. The audit should include the regulations on financial statements, processes, and risk management.
 - Audit procedures followed by the Company's management to identify, assess, and manage significant risks.

- Changes that have taken place since the last audit was conducted concerning the nature and extent of significant risks and the Company's ability to respond to operational differences and changes in the external environment.
 - Scope and nature of control activities under implementation on risk, internal control systems and external audit.
 - Auditing the weaknesses and defects of the control system or unexpected emergencies that have affected or may significantly affect the financial performance of the Company and the procedures followed by the Company to address the essential issues of control.
 - Auditing the company's compliance with applicable laws and regulations.
- The Board shall be responsible for setting up the policy for reporting irregularities, following the provisions of the Commercial Companies Law, and the decision of the Chairman of SCA Board of Directors No. (3 / R .M) for the year 2020 on adopting a guide to governance of public shareholding companies. The Board of Directors of the Company authorized the Audit Committee to audit the efficiency of the Company's internal control system, and based on the audit findings and the information available to it. The Audit Committee confirms that the internal control system has been effectively and appropriately designed and is being implemented efficiently to achieve the Company's objectives.



Abu Dhabi National Company for Building Materials - BILDICO - is responsible for the internal control and review of its effectiveness through the preservation of assets, maintaining correct financial statements and disclosing errors and irregularities. The Board of Directors is committed to reviewing the Audit Committee's report on the results of internal control activities and the periodic reports on control activities.

Internal control includes defining a clear organizational structure, codifying policies and guidelines, and identifying authorities, agencies, and performance monitoring mechanisms that have been set up to monitor the Company's operations effectively and regularly and ensure compliance with governance laws.

□ Procedures and applications of the internal control system

The internal control system of BILDICO consists of a set of procedures that are applied by the Board of Directors, the Executive Management and all the Company's employees. These procedures are designed to provide appropriate and not absolute guarantees on the achievement of the following objectives:

- Risk Management: Ensuring that risks and controls are identified to achieve the Company's goals.
- Effectiveness and Efficiency of The Operations: Defining key goals of the Company, including compliance with performance standards and resource protection.
- Reliability of Financial Reports: Ensuring provision of reliable financial statements and other financial information to the Board of Directors, shareholders and senior management.
- Compliance with applicable laws and regulations: Including the laws and legislations to which the Company is subject in order to avoid harming the reputation of the Company or fines.

Finally, the objective of the internal control system is to ensure that the rules of internal controls are appropriately established, documented, maintained, and adhered to in all departments and sectors of work. The Company should integrate the internal control system with its regular activities related to corporate governance and risk management.

□ **The Mechanism of Internal Control**

- The Internal Control Department is responsible for ensuring that the procedures applied to monitor operations within the Company have been adequately designed and implemented effectively under its annual plan approved by the Audit Committee delegated by the Board of Directors.
- The Internal Control Department is responsible for reporting on the effectiveness of the Company's internal control systems to the Audit Committee delegated by the Board of Directors, and its reports should include ideas and recommendations for improving such systems. The Internal Control Department is not responsible for the preparation and maintenance of internal control systems, which are the responsibility of the delegated management. The Internal Control Department have prepared four reports during 2019.
- The Internal Control Department appoints a Compliance Officer and assign clear and independent responsibilities to him to supervise compliance with laws and regulations of Regulators. Further, the Compliance Department shall control the Company's activities and ensure that they are in line with the external rules and regulations and being carried out following the annual work plan of the compliance Department. Also, the Compliance Department shall modify and update the procedures followed in the compliance control system to ensure the continuation of the work of the Department according to the highest standards.
- The Internal Control Department only provides appropriate assurance to the Audit Committee delegated by the Board of Directors on the effectiveness of the operations in the realization of the Company's objectives.

Within this framework, the Risk Management Department shall regularly monitor and evaluate the Company's related risks and discuss them with the Chief Executive Officer and the Executive Management Team to identify the best ways to deal with the risks that the Company may face, thus ensuring that risk management is closely aligned with the Company's strategic and business objectives.

The Company is in the process of implementing specific procedures and practices that will develop the work process and increase the practical efficiency of dealing with the risks in this vital management. The CEO of the Company reviews the effectiveness of the risk management and reports to the Audit Committee quarterly.

- The official in charge of the Internal Control Department and Compliance Officer in the company and his qualifications

Internal Control System

Name	Job Title	Qualifications and Expertise	Date of appointment
Osama Abdelhareth Abu Bakr	Director of the Internal Control Department and Compliance Officer	Bachelors of commerce from Cairo University	1 February 2017



□ **How the Internal Control Department deals with critical issues in the company**

How the Internal Control Department deals with any critical issues in the company or those disclosed in annual reports and accounts?

- Follow up the implementation and ensure the integrity of the procedures performed to execute the resolutions of the General Meeting of the Company.
- Ensure that the Company's portfolio is classified according to the accounting standards.

□ **Details of the violations committed during the fiscal year and its reasons and how to address them and avoid recurrence in the future**

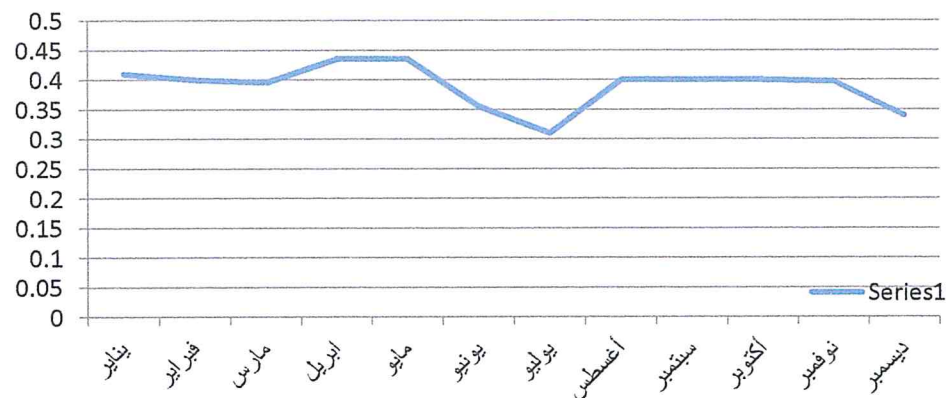
BILDCO complies with all laws, decrees and regulations in force in the UAE, and No violations of laws and regulations have been committed during the fiscal year 2019. Further, the Company commit itself, through its Board of Directors and Executive Management, to the corporate discipline frameworks that do not permit procedural irregularities.

□ **Cash and in-kind contributions**

A statement of the cash and in-kind contributions made by the company during the year 2017 in the development of the community and the preservation of the environment.

- There are no cash or in-kind contributions in 2019.

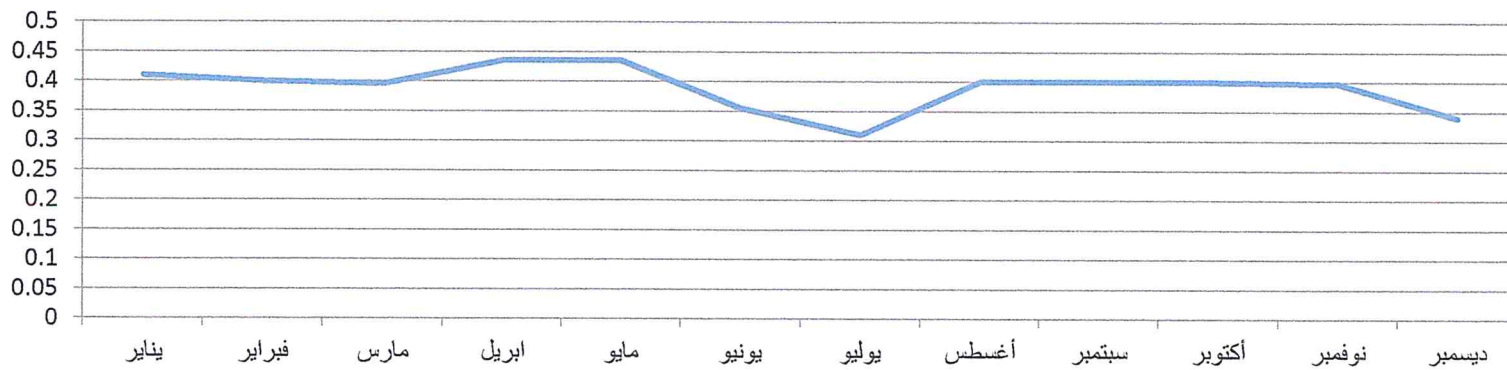
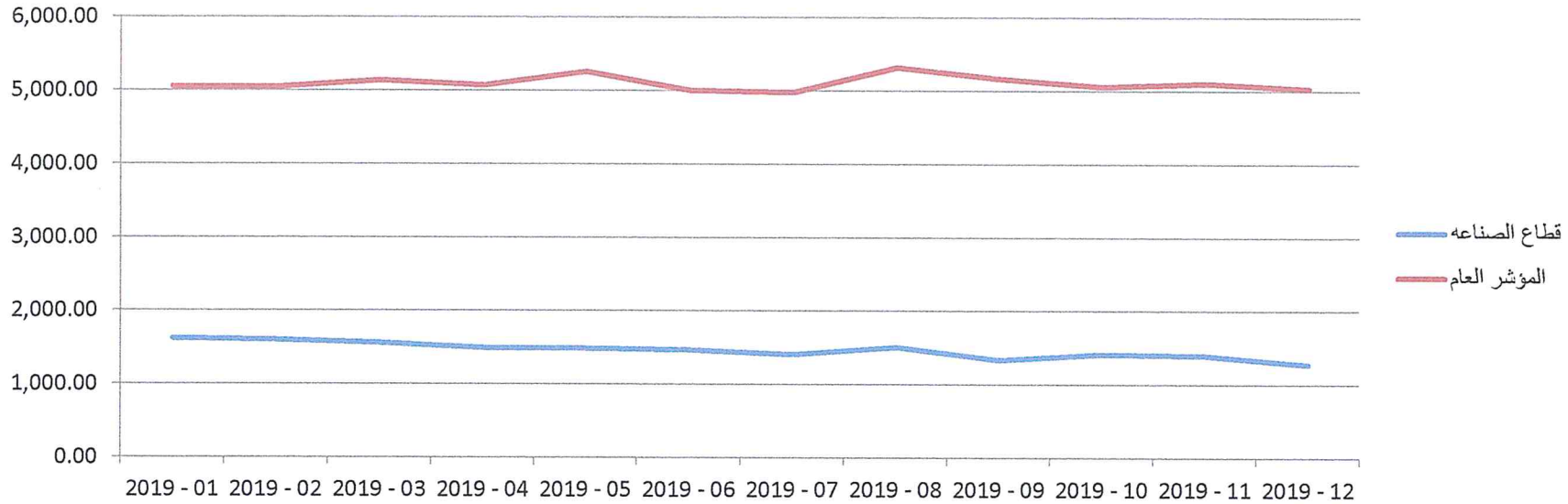
- Statement of the market price of company's shares (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2019



Total	
Value (in UAE Dirham)	28,465,757.83
QUANTITY	50,070,055
Deals	762

QUANTITY	Value (in UAE Dirham)	Lowest (In UAE Dirham)	Highest (In UAE Dirham)	Closing (In UAE Dirham)	Opening (In UAE Dirham)	Month	
0	0	0.41	0.41	0.41	0.41	January	2019
34,365	13,746.00	0.4	0.4	0.4	0.4	February	2019
249,359	102,125.55	0.366	0.438	0.433	0.396	March	2019
756,414	314,075.43	0.41	0.436	0.436	0.435	April	2019
170,000	70,167.00	0.391	0.436	0.391	0.435	May	2019
1,347,480	446,607.90	0.32	0.398	0.34	0.355	June	2019
2,753,204	934,623.67	0.295	0.444	0.4	0.31	July	2019
0	0	0.4	0.4	0.4	0.4	August	2019
0	0	0.4	0.4	0.4	0.4	September	2019
997,505	398,130.45	0.371	0.459	0.378	0.4	October	2019
3,993,947	1,415,529.93	0.291	0.397	0.376	0.397	November	2019
1,096,135	370,899.75	0.315	0.35	0.315	0.34	December	2019

□ A statement of the performance of the company's shares compared with the market index and the sector index to which the company belongs during 2019



Series1

Statement of Shareholders' Equity as at 31/12/2019 (Individuals, Government) Classified as follows: Local, Gulf, Arab, Foreign

S.NO	Shareholders Classification	Number of shares held			
		Individual	Companies	government	Total
1	Local	% 87.89	% 7.57	0 %	% 95.46
2	Arabic	% 3.35	% 0.98	0 %	% 4.33
3	Foreign	% 0.21	% 0.00	0 %	% 0.21
	Total	% 91.45	% 8.55	0 %	%100

A statement of shareholders holding 5% or more of the Company's capital as at 31/12/2019

S.N O	Name	Number of shares held	Shareholding percentage in the Company's Capital
1	Mr. Khalid Ali Rashid Al-Omairah	65,725,309	% 21.90
2	Mr. Ali Rashid Nasser Al-Omairah	62,813,806	% 20.93

□ Distribution of the Shareholders' Equity as at 31/12/2019

S.NO	Shareholding	Number of shareholders	Number of shares held	Shareholding percentage
1	Less than 50,000	906	8,290,325	% 2.76
2	From 50,000 to 500,000	160	23,205,626	% 7.74
3	From 500,000 to 5,000,000	45	59,103,178	% 19.70
4	More than 5,000,000	14	209,400,871	% 69.80

□ A statement of the actions taken regarding investor relations controls

A statement of the actions taken regarding investor relations controls, which present the following:

- Name of the investor Relations Officer and contact details
- Create a link to the Investor Relations page on the company's website.

1	Name of Investor Relations Officer	Hani Shaker Habib
2	Phone Number	02-6455500
3	Mobile Number	055-6052203
4	Email	h_shaker@bildco.ae
5	Investor Relations page link	www.bildco.ae

□ **A statement of the special resolutions that were presented in the General Meeting held during 2019 and the actions taken thereon**

- The Company' did not present any special resolutions to the General Meeting.

□ **Rapporteur of the board of directors' meetings.**

- Mr. Osama Abdelhareth Abu Bakr
- Appointment Date : 1 February 2017
- Qualifications and experience: Bachelor's degree, Faculty of Commerce - Cairo University.
- His duties during the year:
 - Documenting the meetings of the Board of Directors and preparing their minutes.
 - Keeping the reports submitted to the Board of Directors and the reports prepared by the Board.
 - Providing the members of the Board of Directors with the agenda of the Board of Directors meeting and related papers and documents.
 - Notifying the members of the board of directors of the meeting dates in good time.
 - Ensuring that members of the Board of Directors receive meeting minutes, information and documents related to the company.
 - Reporting the resolutions of the Board of Directors and its committees to the executive management of the company and submitting reports on its execution and implementation.
 - Organizing the Board of Directors' disclosure record.



- ❑ **A statement of the material events that occurred during the year 2019**
 - The Company did not encounter any material events during the year 2019 that would affect the Company.
- ❑ **Statement of Emiratisation percentage at the end of 2019**
 - The Emiratisation percentage in 2017, 2018 and 2019 as follows:

Emiratisation Percentage	No. of UAE Nationals	No. of Employees	Year
% 11.36	5	44	2017
11.36 %	5	44	2018
% 9.3	4	43	2019

- ❑ **A statement of innovative projects and initiatives undertaken by the company or under development in 2019**
 - None.



Through its Board of Directors, Board's Committees, and Executive Management, the company continues to make a firm commitment to achieve its business sustainability and enhance its contribution in supporting and promoting economic and social development in the UAE by adopting smarter and effective ways.

One of the most critical concerns of the Board of Directors of the company, representatives of its committees, and all members of the executive management is to make significant contributions to the society surrounding the company.

The company praises the high level of attention paid by the political leadership of the State and all governmental and community entities, in which the company has contributed and made every effort to develop the surrounding society, especially concerning the following sectors:

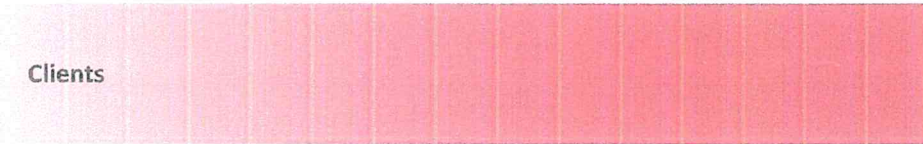
- Education Sector.
- Health Sector.
- Environment and Waste Management Sector.

It is worth mentioning that the Executive Management will present an integrated plan on the development of the society surrounding the company for the coming years and the financial allocations to be made for the same, which will be included in the budget of the company. Besides, our continuous efforts exerted in contacting with citizens who have been granted loans to build their own homes from the Al-Diwan Al-Amiri in the Emirate, which include providing building materials products at cost prices, have contributed to relieving the burdens on the Emirate's citizens.





شركة أبوظبي الوطنية لمواد البناء
 ABU DHABI NATIONAL CO. FOR BUILDING MATERIALS



The management of the company at all levels, from the board of directors and its committees to the executive management, is dedicated to providing the highest level of service to customers and improving their level of satisfaction.

In order to ensure this, we have been able to offer a number of products and services that have contributed to our competitive advantage and to emphasize our position as the best choice for most of our customers, whether individuals or institutions.

Chairman's Signature	Audit Committee President's Signature	Nominations & Remunerations Committee President's Signature	Internal Control Department Director's Signature
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Date: 05/04/2020

Date: 05/04/2020

Date: 05/04/2020

Date: 05/04/2020



Company's Seal