



**ABU DHABI SHIP BUILDING PJSC (ADSB)**

**CORPORATE GOVERNANCE REPORT  
FOR THE YEAR 2018**

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## 1. Governance Philosophy and Practice

Abu Dhabi Ship Building Company, (the "**Company**"), and its subsidiaries are pleased to present its annual corporate governance report for the year 2018.

The Company is governed by its Articles of Association with clear corporate governance principles, and standards with defined roles and responsibilities to the board of directors (the "**Board**") its members and executives.

This report outlines the Company's compliance with the requirements of corporate governance, pursuant to the Chairman of Board of Directors of the Securities & Commodities Authority Resolution No.(7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

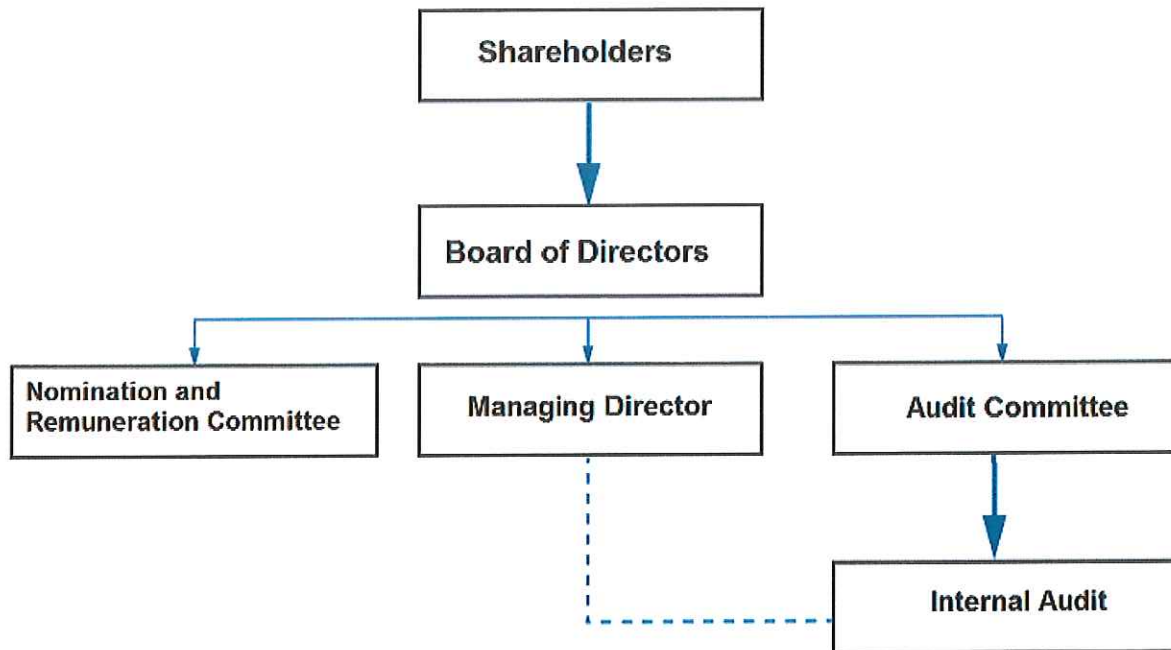
The Company recognizes that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance.

The Company has an effective and well informed Board, which reconstituted in March 15<sup>th</sup>, 2018. In addition, the Board established Sub-Committees of the Board with well-defined authorities and scope.

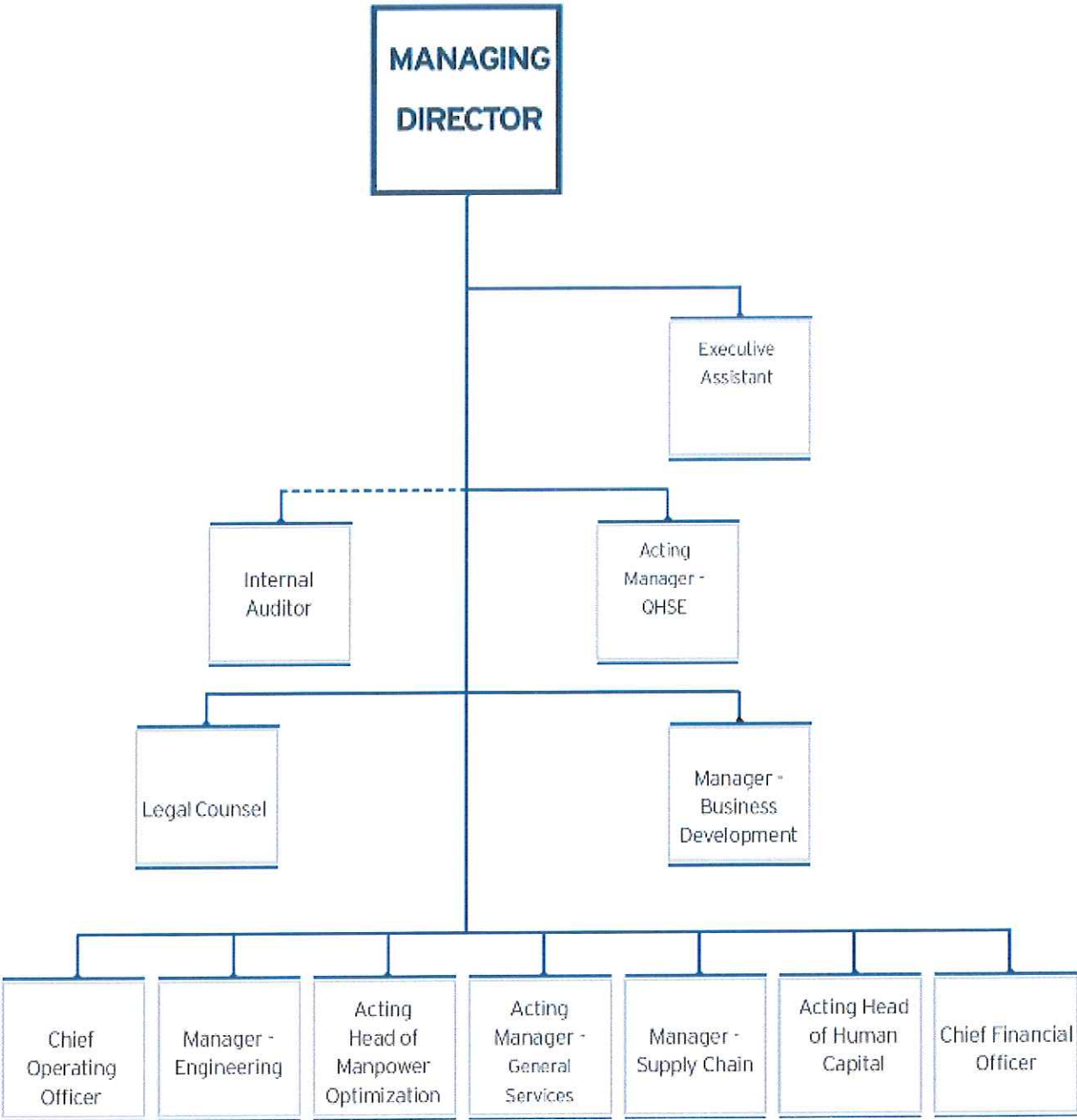
In the year 2018, the Company regularly disclosed its quarterly and annual financial statements, board meetings and decisions, and any change to the executive management as soon as they occurred.

The Board and the executive management review the Corporate Governance resolutions and regulations at least once a year to ensure compliance with any new regulatory and legal changes.

## 2. Governance Structure



3. Organizational Structure





#### 4. Transaction and Trading of the Company's Board of Directors, and their direct relatives in the Company's securities during 2018:

	Name of Members	Position/Relationship	Shares Held as of 31/12/2018	Total Sale Transaction	Total Purchase Transaction
1	Mr.Omar Abdullah Al Faresi	Chairman	Nil	Nil	Nil
2	Mr.Fahad Mohammed Al Mheiri	Board Member	Nil	Nil	Nil
3	Mr.Ali Huthaili Al Mansouri	Board Member	Nil	Nil	Nil
4	Mr.Hamad Abdullah Al Qaydi	Board Member	Nil	Nil	Nil
5	Mr.Hashim Ali Al Aidaroos	Board Member	Nil	Nil	Nil
6	Mr.Mansour Shams Al Khouri	Board Member	237,603	Nil	Nil
7	Mr.Mohammed Abdulla Azaiz AlSheraifi	Board Member	Nil	Nil	Nil
8	Mr.Matar Khalfan Al Shamsi	Board Member	Nil	Nil	Nil

#### 5. Board of Directors

The Articles of Association of the Company defines nine board members where six thereof appointed by a resolution of the Executive Council of the Emirate of Abu Dhabi, or by any person as authorized by the Council to make such appointment. To that extent, the General Assembly of the Shareholders shall elect the remaining three members for (3) three years. The current Board was formed at the Annual General Meeting on 15<sup>th</sup> March 2018.

##### 5.1 Composition of the Board of Directors

The Board of Directors of the Company composed of nine members. The Board meets at least four (4) times per year, and it's currently composed of the following members:

	Name of Members	Title	Category
1	Mr.Omar Abdullah Al Faresi	Chairman	NED & I
2	* Mr. Ammar Hussain Al Ozaibi	Vice Chairman	NED & I
3	Mr.Fahad Mohammed Al Mheiri	Member	NED & I
4	Mr.Ali Huthaili Al Mansouri	Member	NED & I
5	Mr.Hamad Abdullah Al Qaydi	Member	NED & I
6	Mr.Hashim Ali Al Aidaroos	Member	NED & I
7	Mr.Mansour Shams Al Khouri	Member	NED & I
8	Mr.Mohammed Abdulla Azaiz AlSheraifi	Member	NED & I
9	Mr.Matar Khalfan Al Shamsi	Member	ED & NI

\* Mr. Ammar Hussain Al Ozaibi is no longer a member of the Board of Directors as of 21st January 2019.

##### ▪ Statement of Female Representation in the Board of Directors in 2018:

There is no female representation at the Board of Directors, as no nominations were received during the election in 2018.

## 5.2 Directors' Business and Management Experience and External Appointments:

Name of Directors	Business Experience	Qualification	Period Served as BOD since first appointment/ election date:	External Appointments in other PJSC
<b>Mr. Omar Abdullah Al Faresi</b>  <b>(Chairman of Board of Directors)</b>	<p>Mr. Omar Abdullah Al Faresi has 13 years' experience in financial management and strategic leadership. Mr. Omar Al Faresi is the Chief Financial Officer of Emirates Defense Industries Company ("EDIC") Financial Group, and from 2016 to 2018 he was the Chief Executive Officer of AMMROC. Prior to that, Mr. Omar Al Farsi served in key financial positions at Abu Dhabi Ship Building Company PJSC and Mubadala Air, Technology, Communications and Defense.</p> <p>He has also joined GE's Financial Management program within two years in the UK and the UAE.</p> <p>Mr. Omar Al Farsi holds a bachelor's degree in computer science and a master's degree in professional accounting from the University of Seattle, USA.</p>	<ul style="list-style-type: none"> <li>▪ Certified Public Accountant (CPA)</li> <li>▪ Master's Programs in Professional Accounting</li> <li>▪ Bachelor of Computer Science specializing in Business Administration</li> </ul>	Since March 2018	<b>Chairman of Board of Directors of Al Taif Technical Services Company</b>
<b>Mr. Fahad Mohammed Al Mheiri</b>  <b>(Member of Board of Directors)</b>	<p>Mr. Fahad Mohammed Al Mheiri experiences and major responsibilities include leading and guiding the development, planning, implementation and monitoring of projects for EDIC Group, as well as managing relationships with partners, exploring potential investment opportunities, and linking them to the company's strategic plan and corporate assets.</p> <p>Mr. Fahad has over 16 years of experience in the field of project development, management and implementation through his work as Air Quality Manager at the Ministry of Climate Change and the Environment. His responsibilities in all aspects related to the UAE National Agenda 2021 were related to monitoring air quality indicators in close cooperation with relevant government agencies.</p> <p>He has held several positions such as the Commercial Director of Manazel Real Estate, General Manager of CENSUS International, and has worked in the Executive Office of Dubai, overseeing the Dubai School of Government project. He gained experience with Project Management from Project Development Management at TECOM Investments, a member of Dubai Holding. As well as international experience as a Field Engineer at Schlumberger in Brazil.</p>	<ul style="list-style-type: none"> <li>▪ Bachelor in Mechanical Engineering Sciences from Boston University - USA</li> </ul>	Since March 2018	<ul style="list-style-type: none"> <li>▪ Chairman of the German company Merkel</li> <li>▪ President of the American Council of Cracow.</li> </ul>



<b>Mr. Ali Huthaili Al Mansouri</b> <b>(Member of Board of Directors)</b>	<p>A senior executive with more than 26 years of extensive experience in complex industrial technical jobs and a dynamic, detailed, intelligent and self-directed dynamic executive who is able to analyze and evaluate difficult issues quickly in order to move forward in the current competitive market situation.</p>	<ul style="list-style-type: none"> <li>▪ Mr. Ali Huthaili Al Mansouri graduated from the Higher Colleges of Technology, specializing in Industrial Electronics.</li> </ul>	<p>Since March 2018</p>	<p><b>No other external appointments</b></p>
<b>Mr. Hamad Abdullah Al Qaydi</b> <b>(Member of Board of Directors)</b>  <a href="http://adsb.ae">adsb.ae</a>	<p>In addition to his membership in the Board of Directors of Abu Dhabi Ship Building Company, Audit, Committee, and Nomination and Remuneration Committee of the Board of Directors, Mr. Hamad Al Qaydi is a Senior Legal Advisor and Compliance Manager at Emirates Defense Industries Company ("EDIC"). In this capacity, Mr. Hamad Al Qaydi manages many legal files in the field of defense industries and the consequent provision of legal advice, review and conclusion of many international contracts and agreements. In addition to the establishment and acquisition of many related companies, Mr. Hamad Al Qaydi is the Secretary of the Board of Directors of EDIC, under which a group of companies operating in different aspects of the military industries and services: land, air and sea.</p> <p>Prior to joining EDIC, he worked at the Emirates Nuclear Energy Corporation (ENEC), where he played a key role in the organization's legal affairs and served as Assistant General Counsel for Financial and Institutional Affairs. He also established several subsidiaries, including the only peaceful nuclear operator of the Baraka nuclear plants in Baraka, United Arab Emirates. He also contributed actively to the preparation of draft laws, conventions, decrees and various administrative decisions and submitted them to the distinguished Executive Council of the Emirate of Abu Dhabi.</p> <p>Mr. Hamad Al Qaydi holds a bachelor's degree with honors in law from the University of Sharjah and a Master of Business Law with a postgraduate diploma in English from the University of Melbourne in Melbourne, Australia and a Certificate of Executive Leadership from the Massachusetts Institute of Technology, Boston, USA. Mr. Hamad Al Qaydi is a licensed Lawyer by the Ministry of Justice.</p>	<ul style="list-style-type: none"> <li>▪ Bachelor degree with honors, first degree in law from the University of Sharjah</li> <li>▪ Master of Business Law from the University of Melbourne in Melbourne, Australia.</li> <li>▪ Postgraduate Diploma in English Language from the University of Melbourne in Melbourne, Australia.</li> <li>▪ Licensed Lawyer by the Ministry of Justice.</li> <li>▪ Certificate of Executive Leaders from Massachusetts Institute of Technology, Boston, USA.</li> </ul>	<p>Since March 2018</p>	<p><b>No other external appointments</b></p>



<b>Mr. Hashim Ali Al Aidaroos</b> <b>(Member of Board of Directors)</b>	5 years' Experience	<ul style="list-style-type: none"> <li>▪ Bachelor degree in Law from the University of Queensland, Australia.</li> <li>▪ Postgraduate Diploma after Bachelor of Legal Practice, Queensland University of Technology, Australia.</li> <li>▪ Law degree from Institute of Training and Judicial Studies in the UAE.</li> <li>▪ Licensed Lawyer by the Ministry of Justice.</li> <li>▪ Licensed Lawyer by the Department of Legal Affairs in Dubai.</li> <li>▪ Licensed Lawyer by the Abu Dhabi Judicial Department.</li> </ul>	Since March 2018	No other external appointments
<b>Mr. Mansour Shams Al Khouri</b> <b>(Member of Board of Directors)</b>	Project Management Facilities Management	<ul style="list-style-type: none"> <li>▪ Bachelor degree of Science/Mechanical Engineering</li> </ul>	Since March 2018	Dubai Building Cooperative Society
<b>Mr. Mohammed Abdulla Azaiz AISheraifi</b> <b>(Member of Board of Directors)</b>	12 years' Experience	<ul style="list-style-type: none"> <li>▪ Bachelor degree of Electrical Engineering from the University of Seattle - Washington</li> <li>▪ Master of Engineering Management from Australian University of Wollongong - Dubai</li> <li>▪ Master of Safety Management from Johns Morse University - Liverpool</li> </ul>	Since March 2018	No other external appointments
<b>Mr. Matar Khalfan Al Shamsi</b> <b>(Member of Board of Directors and Managing Director)</b>	15 years' Experience	<ul style="list-style-type: none"> <li>▪ Bachelor of Electronic Commerce</li> </ul>	Since September 2018	No other external appointments

### 5.3 Board of Directors Remuneration:

▪ **Total Remuneration paid to the Board of Directors for the year 2017:**

The Company paid the Board of Directors a total amount of AED (2,520,000), as approved by the Annual General Assembly meeting in 2018.

▪ **Total Remuneration proposed to be paid to the Board of Directors for the year 2018:**

Due to the incurred losses, the Board of Directors of the Company has recommended no fees or bonuses to its members for the year ended by 31 December 2018.

▪ **Statement of the details of allowances/fees for attending the Board of Directors Sub-Committees meetings for the year 2018:**

No allowances or fees have been paid to Directors for the year 2018.

### 5.4 Board Meetings held during the Year of 2018:

In year 2018 there were (6) six Board meetings held at the Company's headquarters. The Meeting were as follows:

1) **Previous Board meetings on or before the 15<sup>th</sup> of March 2018:**

Board Meeting	15/02/2018	15/03/2018	Present /Available
Homaïd Abdulla Al Shimmari	√	√	2/2
Cyril Asaad Ahmed Arar	√	√	2/2
Salem Rashid Abdullah Al Noaimi	√	√	2/2
Abdullah Saeed Helal Abdullah Al Darmaki	√	√	2/2
Mohamed Salem Mohamed Al Mehairbi	√	√	2/2
Ali Salah Saif Al Yafei	√	√	2/2
Abdulla Mohamed Ismail Shadid	√	√	2/2
Khaled Saleh Mohamed Al Rashedi	√	√	2/2
Hisham Khalid Tawfiq Malak	√	√	2/2
Attendance on each meeting	9/9	9/9	

**2) Board meetings after the 15th of March 2018:**

Board Meeting	11/04/2018	05/09/2018	26/11/2018	18/12/2018	Present /Available
Omar Abdullah Al Faresi	√	√	√	√	4/4
Ammar Hussain Al Ozaibi	√	√	√	X	3/4
Fahad Mohammed Al Mheiri	√	√	√	X	3/4
Ali Huthaili Al Mansouri	√	√	√	√	4/4
Hamad Abdullah Al Qaydi	√	√	√	√	4/4
Hashim Ali Al Aidaroos	√	√	√	√	4/4
Mansour Shams Al Khouri	√	√	√	√	4/4
Mohammed Abdulla AlSheraifi	√	√	√	X	3/4
Ali Hasan Al Marzooqi	√	-	-	-	1/1
Matar Khalfan Al Shamsi	-	√	√	√	3/3
Attendance on each meeting	9/9	9/9	9/9	6/9	-

**Note:**

"√" Attended

"X" Absent

**3) Board Secretary and the date of the appointment :**

Mr. Yasser Abdul Khaleq Omar (from Hadaf & Partners) was appointed to be the Board Secretary on May 14, 2018. On November 26, 2018, Mr. Hasan Al Kilani (Legal Counsel) was appointed as a Board Secretary instead of Mr. Yasser AbdulKhaliq Omar.



## 5.5 Executive Management

The executive management, comprising of the Managing Director, Chief Operating Officer and Chief Financial Officer, executes the Company's strategy and manages the day-to-day activities and operations in accordance with the business plans and activities approved by the Board, to the best interest of the Company.

During the year 2018, the Company appointed the following Executives:

	Name	Title	Joining Date
1	Matar Khalfan Al Shamsi	Managing Director	05/09/2018
2	Abdulla Sultan AlHammadi	Chief Operating Officer	1/10/2018
3	Najeh Awad	Chief Financial Officer	01/08/2018

The executive management has defined authorities and set out in the Delegation of Authorities as approved by the Board which is currently being reviewed.

## 5.6 Related Party Transactions:

s/n	Related Party	Receivable Amount in AED	Payable Amount in AED	Description
1	Emirates Defense Industries Company "EDIC"	769,160.31	1,127,196	Secondment charges to and from EDIC

## 5.7 Executive Management and Second Line of Management Compensation Paid in 2018:

	Name	Title	Date of Appointment	Total Salaries and allowances paid in 2018	Bonuses Paid for 2017 in 2018	Secondment Fees	Total	Other Bonuses for the year 2018 or future
1	(1) Dr. Khaled Al Mazrouei	Chief Executive Officer	2013/05/13	1,421,094.18	647,167.45	Nil	2,068,261.63	Nil
2	(2) Yaser Al Falahi	Chief Operating Officer	2015/07/01	194,248.12	416,920.59	Nil	611,168.71	Nil
3	(3) Rizwan Chowdhari	Chief Financial Officer	2015/02/08	928,506.03	378,144.36	Nil	1,306,650.39	Nil
4	(4) Dr. Osama Najjar	Legal Counsel	2015/11/01	583,179.77	66,720.96	Nil	649,900.73	Nil
5	(5) Graham Backhouse	Naval Ship Building Director	2016/01/03	530,099.79	223,882.06	Nil	753,981.85	Nil
6	(6) Noura Bou Rabee	Supply Chain Director	2016/08/28	983,839.87	158,463.86	Nil	1,142,303.73	Nil
7	(7) Ali Mohammed Al Shehhi	Director, Production & Operations	2016/04/02	759,298.97	133,758.53	Nil	893,057.50	Nil
8	(8) Sami Abu Hatab	Human Resources Director	2016/12/25	1,162,079.25	162,485.90	Nil	1,324,565.15	Nil
9	(9) Ali Al Marzooqi	Managing Director	2018/05/01	457,995.02	Nil	Nil	457,995.02	Nil
10	(10) Jasem Al Marzooqi	Director of Finance	2018/05/15	Nil	Nil	360,000.00	360,000.00	Nil
11	Najeh Awad	Chief Financial Officer	2018/08/01	719,422.40	Nil	Nil	719,422.40	Nil
12	(11) Abdulla AlHammadi	Chief Operating Officer	2018/10/1	419,692.51	Nil	400,000.00	819,692.51	Nil
13	Matar Al Shamsi	Managing Director	2018/09/05	744,607.92	-	Nil	744,607.92	Nil
14	(12) Rashed Al Blooshi	Human Resources Director	2018/10/07	Nil	Nil	407,196.00	407,196.00	Nil

### Note :

- (1) Dr. Khaled Al Mazrouei resigned from his position on April 11<sup>th</sup>, 2018  
(2) Mr. Yaser Al Falahi is no longer the Chief Operating Officer as of July 1<sup>st</sup>, 2018  
(3) Mr. Rizwan Chowdhari is no longer the Chief Financial Officer as of May 10<sup>th</sup>, 2018  
(4) Dr. Osama Najjar is no longer the Legal Counsel as of 14 July, 2018  
(5) Mr. Graham Backhouse is no longer the Naval Ship Building Director as of 31<sup>st</sup> of May, 2018.  
(6) Ms. Noura Bou Rabee is no longer the Supply Chain Director as of 7<sup>th</sup> of November, 2018  
(7) Mr. Ali AlShehhi is no longer the Director of Production & Operations as of 31<sup>st</sup> July, 2018.  
(8) Mr. Sami Abu Hatab is no longer the Human Resources Director as of 31<sup>st</sup> December, 2018.  
(9) Mr. Ali Al Marzooqi resigned from his position on August 31<sup>st</sup>, 2018  
(10) Mr. Jasem Al Marzooqi was under Secondment from 15<sup>th</sup> May 2018 to 31<sup>st</sup> July 2018  
(11) Mr. Abdulla AlHammadi was under Secondment from 15<sup>th</sup> May 2018 to 30<sup>th</sup> September 2018  
(12) Mr. Rashed Al Blooshi was under Secondment from 7<sup>th</sup> October 2018.

## 6. Independent External Auditor

The Independent External Auditor of the Company is Deloitte. Deloitte is one of the world's big four audit firms and a global leader in auditing and consultancy services.

Deloitte has been re-appointed by a decision of the Shareholders at the General Assembly Meeting in 15th of March 2018. Deloitte is a professional external audit firm and is independent from Company's Board of Directors and Executive Management.

The External Auditor attends the meetings of the Audit Committee and also attends the General Assembly Meeting, to present the Audit Report and to answer questions from the shareholders on the Audit Report.

### **1) Statement of the Fees/Costs of Auditing or the Services Provided by the External Auditor:**

Name of the Auditing Firm	Deloitte
Number of years served as an external auditor for the company	Six (6) years
Total fees for auditing financial statement of 2018 (in AED)	220,250
Total fees and costs of the special services other than the auditing of the financial statements in 2018 (in AED), if any.	128,550
The details and nature of the other services provided (if any)	XBRL agreed upon procedures and IFRS 9 and 15 audit.
A statement of other services performed by other external auditors other the Company's external auditors (if any)	Nil

### **2) Statement of Reservation Submitted by the External Auditor Regarding the Interim and Annual Financial Statements During 2018:**

No reservation was submitted by the external auditor regarding the interim and annual financial statements during 2018:

## 7. Audit Committee

The current members of the Audit Committee were appointed by a Board of Directors resolution issued on 8<sup>th</sup> May 2018. The Audit Committee assists the Board in fulfilling its corporate governance responsibilities in relation to risk management and internal control systems, accounting policies and practices, financial reporting and internal and external audit functions. The Committee is comprised of the following members:

Members	Title
Fahad Mohammed Al Mheiri	Chairman of the Committee
Hamad Abdullah Al Qaydi	Member
Mansour Shams Al Khouri	Member



The Audit Committee's Charter defines the responsibilities of the Audit Committee as follows:

1. Review the Company's financial and accounting policies and procedures.
2. Monitoring the integrity of Company's financial statements and reports (annual, semi-annual and quarterly) review thereof as a part of its normal work during the year, and the committee shall particularly, focus on the following:
  - i. Any changes in accounting policies and practices;
  - ii. Highlighting the aspects that are subject to the management's discretion;
  - iii. Substantial amendments resulting from audit;
  - iv. Supposing continuity of the Company's business;
  - v. Commitment to the accounting standards approved by the Securities and commodities Authority; and
  - vi. Commitment to the listing and disclosure rules and any other legal requirements related to preparation of financial reports.
3. Coordinating with the Company's Board of Directors, Senior Executive Management, and the Finance Manager or the Manager doing such role in the Company, for the purpose of performing its duties.
4. Considering important and unusual clauses or unconventional issues that are or shall be mentioned in such reports and accounts, the committee shall also pay the required attention to any issues brought up by the Finance Manager, the Manager doing such role, the Compliance Officer, or the Auditor.
5. Submitting a recommendation to the Board of Directors respecting selection, resignation, or discharge of the auditor, and in case the Board of Directors rejects the recommendation of the Audit Committee in this regard, the Board of Directors shall include in the Governance Report a statement clarifying the Audit Committee recommendations and the reasons for the Board of Directors' rejection thereof.
6. Setting and implementing the policy of contracting with the auditor, submitting a report the Board of Directors, specifying the issues the committee deems necessary to take procedures in relation to, and submitting the committee's recommendations concerning the steps required to be taken.
7. Ensuring the auditor's fulfillment of the terms stipulated in the applicable laws, regulations, and resolutions and the Company' Articles of Association, and following up and monitoring his/her independence.
8. Meeting with the Company' auditor without attendance of any of the personnel of the Senior Executive Management or representative thereof, at least once annually, and discussing with the auditor the nature and scope of the auditing process and its effectiveness according the approved auditing standards.
9. Studying all that is related to the auditor's job, work plan, correspondence with the Company, comments, proposals, concerns, and any substantial inquiries posed by the auditor to the Senior Executive Management concerning accounting books, financial accounts, or control systems, and following up the Company's board of Directors response thereto and provision of the facilities required for performing the auditor's job.
10. Ensuring timely response of the Board of Directors to inquiries for illustration and substantial matters mentioned in the auditor's letter.
11. Review and assessment of financial control, internal control and risk management systems in the Company.
12. Discussing the internal control system with the Board of Directors and ensuring the latter's establishment of an effective system for internal control.

13. Considering the results of primary investigations in internal control issues as assigned to the committee by the Board of Directors or based on an initiative on the part of the committee and the Board of director's approval of such initiative.
14. Review of the auditor's assessment of internal control procedures and ensuring coordination between the internal and external auditors.
15. Ensuring availability of the resources required for the internal control department and reviewing and monitoring the effectiveness of such department.
16. Studying internal control reports and following up the implementation of corrective measures for the comments arising from such report.
17. Setting the rules that enable the Company's staff to confidentially report any potential violations in financial reports, internal control, or any other issues and the procedures sufficient for conducting independent and fair investigations concerning such violations.
18. Monitoring the extent to which the Company compiles with the code of conduct.
19. Review of Related Party transactions with the Company, managing conflict of interest, and submitting recommendations concerning such transactions to the Board of Directors before concluding the contracts.
20. Ensuring implementation of the code of conduct related to the Audit Committee's duties and powers assigned to it by the Board of directors.
21. Considering other issues as determined by the Board of Directors.

**1) Meetings of the Audit Committee before the 15th of March 2018:**

Members	14/02/2018	06/03/2018	Present/ Available
Salem Rashid Abdullah Al Noaimi	√	√	2/2
Hisham Khalid Tawfiq Malak	√	x	1/2
Abdulla Mohamed Ismail Shadid	x	Proxy	1/2
Attendance on each meeting	2/3	2/3	-

**2) Meetings of the Audit Committee after 15th of March 2018:**

Members	14/05/2018	09/08/2018	12/11/2018	Present/ Available
Fahad Mohammed Al Muhairi	√	√	√	3/3
Hamad Abdullah Al Qaydi	√	√	√	3/3
Mansour Shams Al Khouri	√	Proxy	√	3/3
Attendance on each meeting	3/3	3/3	3/3	-

**Note:**

"√" Attended

"X" Absent



## 8. Nomination and Remuneration Committee

The current members of the Nomination and Remuneration Committee were appointed by a Board of Directors resolution on the 8<sup>th</sup> of May 2018. The Committee is comprised of the following members:

Members	Title
<b>Ammar Hussain Al Ozaibi</b>	<b>Chairman of the Committee</b>
<b>Hamad Abdullah Al Qaydi</b>	<b>Member</b>
<b>Mohammed Abdullah Al Sheraifi</b>	<b>Member</b>
<b>Ali Huthaili Al Mansouri</b>	<b>Member</b>

The Nomination and Remuneration Committee's Charter defines the responsibilities of the Committee as follows:

1. Setting a policy for nomination of the Board and executive management membership with the aim of varying between the two genders in the Board and encouraging female nominees through offering privileges and training and motivational programs, and submitting a copy of such policy to the Securities and Commodities Authority and any amendments thereof.
2. Regulating and following up the procedures of nomination for Board membership in accordance with the applicable laws and regulations, as well as the provisions of the Code of Corporate Governance.
3. Constantly verifying independence of Independent Board Members.
4. If the committee finds out that one of the members has lost independence, the committee shall bring the issue before the Board to inform the member(s) by a registered letter at their address registered at the Company clarifying the reasons for the loss of independence; such member shall reply to the Board within fifteen days from the date of receiving notice thereof, and the Board shall issue a decision as to whether such member is independent or otherwise in its first meeting following reception of the Board member's reply or elapse of the period mentioned in this paragraph without replying.
5. Taking into consideration article (145) of the Companies Law, if the Board decision of a member's loss of independence affects the minimum percentage of independent Board members, the Board shall appoint an independent member to replace such member in case the latter submits ion for losing independence; if such member refuses to submit his/her resignation, the Board of Directors shall bring the issue before the general assembly to issue the decision of approval of appointing another Board member or open the door for nomination to elect a new Board member.
6. Setting the policy for granting bonuses, privileges, incentives, and salaries to the Company's Board members and employees of the company, reviewing such policy annually, and ensuring that the bonuses and privileges offered to the Senior Executive Management are reasonable and in line with the Company's performance.
7. Annual review of the skills required for Board membership and preparation of the required capabilities and qualifications for Board membership including the time a member shall need to allocate to do his/her duties as a Board member.
8. Review the Board of Directors structure and submitting recommendations regarding the changes that may be made.
9. Determining the Company's needs of qualifications at the Senior Executive Management and the employee levels and the criteria for selection thereof.
10. Setting the Company's human resources and training policy, monitoring implementation of such policy, and reviewing thereof on annual basis.
11. Any other matters determined by the Board of Directors.



1) Meetings of the Nomination and Remuneration Committee before the 15th of March 2018 :

Members	13/02/2018	Present/ Available
Abdullah Saeed Helal Abdullah Al Darmaki	√	1/1
Ali Salah Saif Al Yafei	√	1/1
Khaled Saleh Mohamed Al Rashedi	√	1/1
Attendance on each meeting	3/3	

2) Meetings of the Nomination and Remuneration Committee after the 15th of March 2018:

Members	06/06/2018	26/07/2018	Present/Available
Ammar Hussain Al Ozaibi	√	√	2/2
Hamad Abdullah Al Qaydi	√	√	2/2
Mohammed Abdullah Al Sheraifi	√	√	2/2
Ali Huthaili Al Mansouri	√	√	2/2
Attendance on each meeting	4/4	4/4	-

Note:

"√" Attended

"X" Absent

**9. Insider Information and Dealings Committee**

The Insider Information and Dealings Committee was formed by on the 17<sup>th</sup> of December 2018. The Committee is comprised of the following members:

Members	Title
Najeh Awad	Chairman of the Committee
Alexander B. Villareal	Member
Hasan Al Kilani	Member

The Committee did not hold any meetings during 2018.

## 10. Internal Controls

The Board is accountable before the shareholders and others for its activities and is responsible for the effectiveness of corporate governance practices. In addition, the directors of the company shall comply with all recommendations in all applicable regulations, decisions and policies of the Board of Directors and apply internal controls to ensure the safety of operations and compliance with the laws to achieve strategies. The internal control system in place includes the following:

- The control environment, which includes written policies and procedures, in addition to the code of conduct manual, and the mechanisms for identifying and updating organizational structures, responsibilities and delegation of powers.
- Risk management process which includes ensuring that the structures, processes and responsibilities to identify and manage the major risks facing the company exist and are sufficient.
- Control activities include policies and procedures applied in the all operations of the company, including controls related to information technology
- Follow-up and confirmation activities, which include evaluations conducted by the Company to identify and improve deficiencies, including the work of the QHMS and the internal audit, and audit of financial statements performed by an external company.

Mr.Iyad Shehadeh is the Head of Internal Control since 15<sup>th</sup> of January 2019. Mr.Iyad is a Certified Public Accountant in the USA, holds a Master of Accountancy from Manchester University in the US and Bachelor of Science in Accounting from Birzeit University with more than 19 years of experience in Internal Audit, Internal Controls, Compliance, Performance Improvement, Risk Management, Governance, and Knowledge Transfer.

Mr.Alexander B. Villareal, who is a Certified Public Accountant (Philippines) with an audit and assurance background having worked with a Big 4 audit firm, acts as Compliance Officer since 14<sup>th</sup> of July 2018, ensuring the Company complies with its outside regulatory requirements and internal policies.

### Risk Management

The company has developed a comprehensive risk management system that identifies the risks faced by the company within all the departments. The Company regularly reviews the risk management systems and takes the necessary measures to minimize any potential risks.

### Internal Audit

Internal audits are being performed by the independent internal audit of the Company based on an approved audit plan by the Audit Committee, as developed through risk-based internal audit approach, identifying and prioritizing the potential risk areas/processes for audit purpose. Under the approved plan, the efficiency and effectiveness of internal controls currently in place, safeguarding the Company assets, compliance with the Company's policies, procedures, and practices as well as adherence to applicable laws and regulations are being reviewed, reported and addressed as necessary.

A summary report of the audits, conducted every (3) three months including all the comments and actions taken by management, is being provided to the Audit Committee on a regular basis. The control weakness, process gaps, noncompliance observed are addressed with appropriate management actions.

Any major problem noted during the audits communicated to Audit Committee, through the channel of communication maintained between Audit Committee and Head of Internal Audit, for resolution and remedial measures.

## 11. Statement on the violations committed during the year 2018, and how they were addressed and how they will be avoided in the future:

The Company did not commit any violations during the year ended 31 December 2018.



## 12. Statement of the contribution made by the Company during the year 2018 towards the local community development and the environment.

In line with our vision and goal to become a world leading company in shipbuilding, and sensing the social responsibility not only towards our employees, partners and shareholders, but also towards the community and the country we serve.

Abu Dhabi Shipbuilding Company recognizes the value of social, economic and environmental issues related to the community, and the importance of contributions that will have a good impact on the members of the society such as, the blood donation to the soldiers of UAE, and the cash donation to build a mosque in the name of Sheikh Zayed (may God have mercy upon him).

Abu Dhabi Shipbuilding Company has sought to play an essential role in community following the footsteps of the UAE leaders, and the established Islamic principles, through the activities that targeted the society in 2018, which had positive impact on the community as a whole:

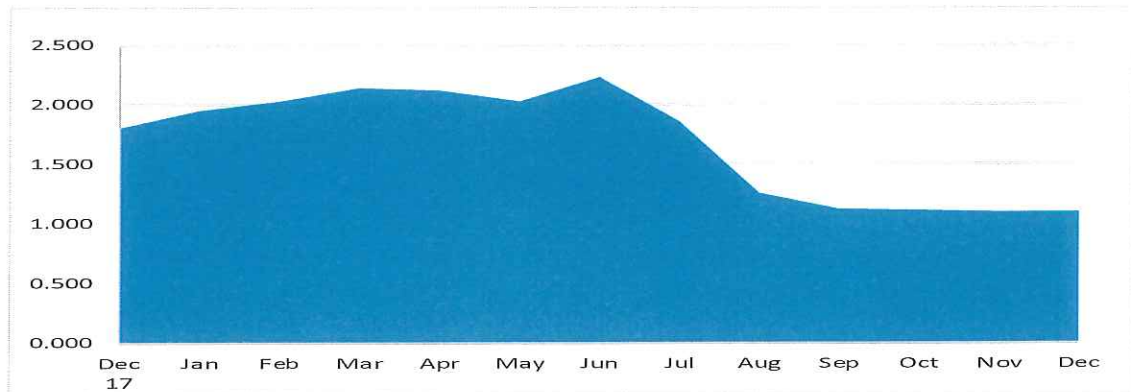
- Awareness lectures, in cooperation with Abu Dhabi Police and Alpha Medical Center
- Donating and contributing to build a mosque in the name of Sheikh Zayed on the occasion of the year of Zayed
- Organizing visits for the expatriate and foreign workers during the month of Ramadan (Taraweeh Prayers)
- Organizing a medical awareness seminar on World Health Day
- Organizing blood donation campaigns and raising awareness on the importance of blood donations. (Dami Fadak Ya Watan)
- Distribute of children's stories on the World's child Day.

Abu Dhabi Ship Building has maintained its focus on Emiratisation and its commitment to attract and retain talented UAE nationals and provide them with training and career development. In 2018, Emiratisation was 11%.

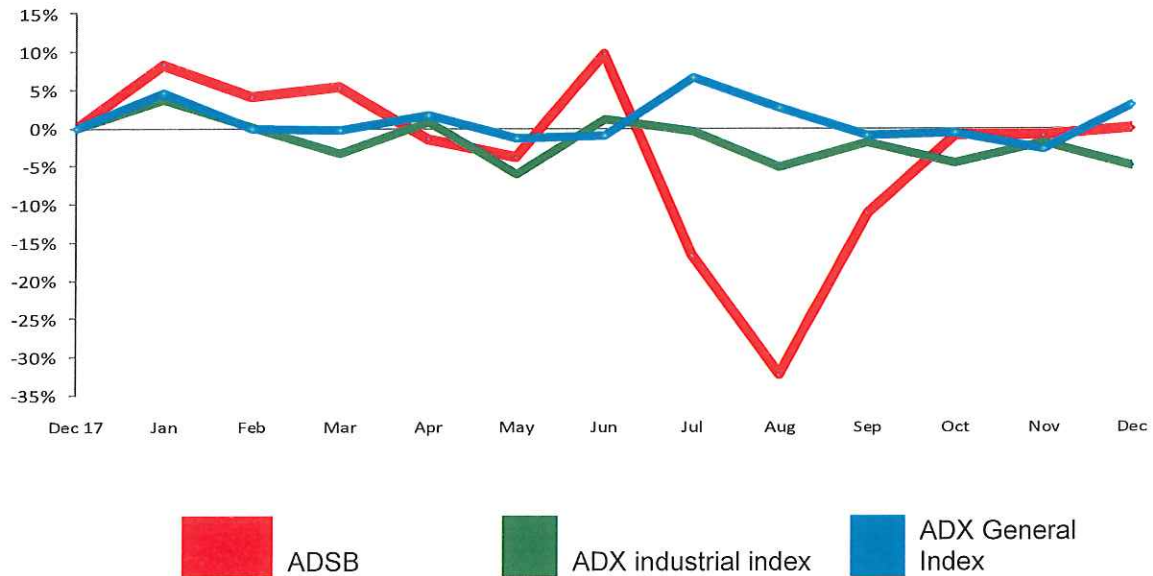


### 13. General Information

#### 13.1 The Share Price Movement during 2018 (in AED)



#### 13.2 The Share Price Movement with Industrial and General Index during 2018



Note: The chart above represents monthly average share price with Dec'17 as base

**13.3 The Share Trading Log during 2018:**

YEAR	MON TH	OPEN (AED)	CLOS E (AED)	HIGH (AED)	LOW (AED)	VALUE (AED) TRADED	VOLUME TRADED	# OF TRADE S	CHANG E IN PRICE	% CHANG E IN PRICE
2018	01	2.07	1.95	2.12	1.86	678,138	328,315	22	0.15	8.3
2018	02	2.00	2.03	2.25	1.84	2,755,456	1,317,891	32	0.08	4.1
2018	03	1.88	2.14	2.40	1.88	171,564	79,067	12	0.11	5.4
2018	04	1.93	2.11	2.25	1.93	185,686	87,816	15	(0.03)	(1.4)
2018	05	1.91	2.03	2.10	1.79	183,454	90,685	12	(0.08)	(3.8)
2018	06	1.90	2.23	2.23	1.90	84,606	40,624	3	0.20	9.9
2018	07	2.23	1.86	2.23	1.81	1,334,705	664,246	12	(0.37)	(16.6)
2018	08	1.71	1.26	1.71	1.26	88,929	56,994	7	(0.60)	(32.3)
2018	09	1.30	1.12	1.30	1.08	74,673	61,968	7	(0.14)	(11.1)
2018	10	1.01	1.11	1.13	1.01	73,813	66,808	9	(0.01)	(0.9)
2018	11	1.12	1.10	1.14	1.10	10,582	9,436	4	(0.01)	(0.9)
2018	12	1.10	1.10	1.10	1.10	4,598	4,180	1	-	0.00
						<b>5,646,206</b>	<b>2,808,030</b>	<b>152</b>		

**13.4 Shareholding Pattern as on 31 December 2018:**

SN	No of Shareholde rs	Shareholder Category	Holding	Ownership %
1	1	Emirates Defence Industries Company	105,908,000	49.96%
2	13	Companies – UAE	18,038,540	8.51%
3	5,191	Individual - UAE Nationals	85,971,947	40.56%
4	8	Companies - Foreign Countries	444,773	0.20%
5	50	Individual - Foreign Nationals	1,628,740	0.77%
		<b>5,263</b>	<b>211,992,000</b>	<b>100%</b>

**13.5 Distribution of Shareholder by size of ownership as on 31 December 2018:**

Share Ownership	No. of shareholders	No. of shares owned	Percentage
Less than 50,000	5,186	22,064,413	10.41%
From 50,000 to less than 500,000	58	9,412,521	4.44%
From 500,000 to less than 5,000,000	13	21,376,937	10.09%
More than 5,000,000	6	159,138,129	75.06%
<b>Total</b>	<b>5,263</b>	<b>211,992,000</b>	<b>100%</b>



**13.6 Shareholder Holding 5% or above of Share Capital as on 31 December 2018:**

SN	Citizenship	Investor Name	Holding	Ownership %
1	UAE	Emirates Defence Industries Company	105,908,000	49.96%
2	UAE	Mohamed Bin Ahmed Bin Saeed Al Qasimi	17,663,902	8.34%
3	UAE	Maryam Ahmed Abdullah Al Khemeiri	11,488,903	5.42%

**13.7 Regulations of Investor Relations**

ADSB has the following employee who responds to queries by investors:

Name	Contact Details
Mr. William Karadsheh	Phone Number: +971 2 502 8075 Email : <a href="mailto:William.Karadsheh@adsb.ae">William.Karadsheh@adsb.ae</a>
Investors Relations page link	<a href="http://www.adsb.ae/the-company/investors-information/">http://www.adsb.ae/the-company/investors-information/</a>

**13.8 Decisions that have been presented during the AGM held in 2018 and the actions taken:**

The General Assembly Meeting of Abu Dhabi Ship Building Company was held on 15<sup>th</sup> of March 2018 and discussed the topics on the agenda of the announced meeting. The following are the key decisions as a result of the meeting:

- Approval of the Annual Report of the Board of Directors on the Company's activity and financial position during the financial year ended 31/12/2017.
- Approval of the Auditor's report for the financial year ended 31/12/2017.
- Approval of the Company's consolidated financial statements for the financial year ended 31/12/2017.
- Dividend for the financial year ended 31/12/2017 is AED 31,798,800 representing 15% of the Company's share capital
- Approval of the proposal of the Board of Directors of the Company to pay a bonus to the members of the Board of Directors for the financial year ended on 31/12/2017 total of AED (2,520,000).
- Discharge the directors of the company from responsibility for their work for the financial year ended 31/12/2017.
- Discharge the Auditors of the company from responsibility for their work for the financial year ended 31/12/2017.
- Appointment of Deloitte & Touche as auditors for the financial year ending 31/12/2018 with a total amount of AED 220,250.
- Mr. Mansour Shams Al Khouri, Mohammed Abdulla AlSheraifi and Mr. Ali Hasan Al Marzooqi were elected as members of the Board of Directors for a period of three years.



**13.9 Statement of the Company's Significant Events During 2018:**

During 2018, the Company continued to implement Board directives within the approved strategy to promote and support shareholders' equity by focusing on key business sectors such as shipbuilding, small boat construction, service sector and integrated combat management systems. Towards the end of year 2018, the Company has initiated a process of end to end transformation and a re-look into its organizational structure, involving all its divisions and subsidiaries and reviewing the strategy. In addition, the Company updated the costing and pricing policies and re-engineered the company processes in coordination with PwC Company as a consultant.

In addition, both shares of Abu Dhabi Government (10%) and Mubadala Investment Company (39.96%) were transferred to Emirates Defense Industries Company for a total ownership of 49.96% of the Company's shares as of 31 December 2018.



**Omar Abdullah Al Faresi**

**Chairman of the Board of Directors**

