



Corporate Governance Report 2019
Arabtec Holding PJSC



1. Statement of procedures taken to complete the corporate governance system, during 2019, and method of implementing thereof.

Arabtec's corporate governance structures, principles, policies and practices provide a comprehensive framework to:

- a. Enhance accountability to shareholders and other stakeholders;
- b. Ensure timely and accurate disclosures of all material matters;
- c. Deal fairly with shareholders and other stakeholder interests; and
- d. Maintain high standards of business ethics and integrity.

The corporate governance framework enables Arabtec to discharge its statutory duty of ensuring an orderly, informed and fair market and of ensuring risks are managed prudently in accordance with a robust risk management framework, while pursuing its business objectives. To serve the interests of shareholders and other stakeholders, Arabtec's corporate governance framework is subject to ongoing review, assessment and improvement. The Board proactively adopts governance policies and practices designed to align the interests of the Board and management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the Group.

Internal Controls

The Group's internal control system is the combination of various frameworks, standards, policies and procedures established by the Board and senior management to enhance operational performance and to secure the Group's objectives in accordance with the Group Business Plan. The internal control system is based on the model of three lines of activity control:

- First Line of Control – Exercised by every employee and their direct line manager in every department and business function across the Group, in the course of carrying out their day-to-day role and activities;
- Second Line of Control – Exercised through the Head of Internal Controls & Compliance Officer at the Group and OPCO level, and through the implementation of Enterprise Risk Management objectives in accordance with the Group's risk management framework; and

- Third Line of Control – Exercised by the Internal Audit Department, which periodically assesses the policies, procedures and business activities across the Group and their effectiveness in accordance with the Internal Audit Plan approved by the Board.

The internal control system is designed to follow this multi-tiered approach and is implemented at various governance levels throughout the Group. The internal control system relies on accountability, delegation and collaboration within the various departments and business functions, encouraging the Group-wide alignment of objectives, resources and the mechanisms deployed. It is based on the clear identification of minimum governance standards and responsibilities; human resources policies and procedures ensuring that resources and skill levels are appropriate across the Group; and that information technology systems and tools are implemented to serve each department and business function for each OPCO. Each OPCO is responsible for implementing appropriate and robust policies and procedures at OPCO level in line with the scope and nature of their business activities to comply with the Group's standards and internal control system.

Board of Directors

The Board approves the strategic direction and objectives of the Group and matters of key financial, operational and governance importance including the management system of Group-wide business standards which govern how the Group operates and conducts its business activities. The Board's role includes overseeing, counselling and directing senior management and the Board Committees and approving and maintaining an appropriate delegation of authority to ensure that the interests of the Group and its business partners are being served. The Board has access to all documents and reports required to discharge its fiduciary duties and to act in good faith with due diligence and care in the best interests of Arabtec and its shareholders. The Board is responsible for ensuring senior management maintains a system of internal control in accordance with its obligations set out in Article (43)

(Obligations of the Board of Directors) and Article 50

(Internal Control) of The Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies (SCA Resolution No.7).

Board Committees

The Board delegates authority and oversight of key areas of responsibility to Board Committees including the Audit Committee, Nomination & Remuneration Committee and the Executive Committee constituted by the Board in accordance with the Articles of Association and Applicable Law,

which report to the Board with their recommendations with respect to matters presented to and discussed by the Committees in accordance with the relevant Committee Charter.

Audit Committee

The Audit Committee is responsible for governance and internal control matters including audit, compliance and risk management in accordance with its obligations set out in Article (49) (Duties of the Audit Committee) of SCA Resolution No7. It reviews financial statements, oversees the Group's Enterprise Risk Management objectives and guides the work of the Internal Audit Department.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for: ensuring the Board contains an appropriate balance of skills, knowledge and experience; making recommendations to the Board in respect of senior management appointments, dismissals and remuneration; and monitoring the implementation of the Group HR Policies and Procedures Manual in accordance with its obligations set out in Article (47) (Duties of the Nomination and Remuneration Committee) of SCA Resolution No.7.

Executive Committee

The Executive Committee, which is established by the Board, is responsible for the Group's strategic plans and major transactions, as well as overseeing the international operations of the Group's operating companies and branches in KSA, Kuwait, Jordan, Egypt, Kazakhstan, Bahrain and other territories in which the Group operates.

Group CEO

The Group CEO is responsible for implementing the Group's strategy and objectives approved by the Board in the Group Business Plan. The Group CEO is responsible for implementing policies and procedures to comply with the Group-wide business standards approved by the Board including in relation to the Group's internal control system. The Group CEO is expected to meet the objectives, key performance indicators (KPIs), budget and operating targets approved by the Board and report business performance to the Board. He is supported in the achievement of his role through a professional and experienced senior management team including the OPCO senior management teams.

Group CFO and the Finance Department

The finance consolidation team led by the Group CFO holds primary responsibility for meeting the Group's financial reporting requirements in accordance with its obligations to the Dubai Financial Market. It ensures integrity and adequacy of the Group's financial reporting processes, procedures and systems and receives key financial information approved by the CFO of each OPCO on a monthly basis. The finance consolidation team carries out appropriate checks and balances and prepares consolidated financial statements for the Group together with business reporting information for Board and Board Audit Committee reviews.

Senior Management and Department Heads

The role of senior management and department heads at both ATH and OPCO levels is to implement and maintain appropriate and robust policies and procedures in respect of governance and risk management, operational functions including tender management and project delivery and Group support functions including finance, treasury and HR to comply with the Group-wide business standards approved by the Board.

Each OPCO has its own senior management team responsible for implementing a business plan approved by the GCEO and ensuring the implementation and continuous improvement of the Group's internal control system so that OPCO objectives, KPIs, budget and operating targets are achieved.

Roles and responsibilities are defined by the Group's organisational structure charts and job descriptions. In order to empower the OPCO senior management teams to achieve their business plan KPIs and objectives, the Group CEO delegates down certain of their functional, operational and financial decision-making authority to the OPCO CEOs appropriate to the OPCO's day-to-day business requirements commensurate to the materiality of the OPCO to the Group as a whole.

Legal Department, Company Secretarial, Internal Controls & Compliance

The role of the Legal Department at Group level is to safeguard the interests and reputation of the shareholders, Board Members, senior management, employees and the business activities of the Group as a whole. It monitors and reports on compliance with Applicable Law, provides effective Board company secretarial support and robust, cost-effective legal advice to the Board, senior management and OPCOs where required. The team maintain a dialogue with the OPCOs and carry out regular site visits for inspections, compliance audits and to make recommendations with respect to appropriate training and development programmes. The team monitors the effectiveness of the Group's internal control system and provides the Audit Committee with regular updates and recommendations for improvements to the Group's internal control system. It is responsible for maintaining an effective dialogue with the regulators and the Arabtec Group Legal Panel as well as overseeing the implementation of the Group's Enterprise Risk Management objectives.

The Group's Enterprise Risk Management objectives require the implementation and monitoring of a Group-wide consistent risk management process, to ensure that risks are identified and managed at OPCO level in a systematic and proactive manner across the Group at both corporate and project levels. The Group's risk management framework ensure that the risks identified across the Group are in line with the risk appetite set by senior management and the Board and in line with the objectives and strategy of the Group.

Internal Audit Department

The Internal Audit Department supports the mitigation of the Group's material risks and gives assurance on compliance with the Group's standards, policies and procedures. Its role encompasses providing reasonable assurance on governance, risk management and internal controls, and conducting investigations and special reviews at the request of the Board, Board Committees or senior management.

2. Statement of ownership and transactions of Board of Directors (Board) members and their spouses, their children in the company securities during 2019, according to the following schedule:

Ser.	Name	Position / Kinship	Owned shares as on 31/12/2019	Total sale	Total purchase
1.	Mr. Ghannam Butti Al Mazrouei	Board Member	31,888	Nil	Nil
2.	Mr. Tareq Ahmed Al Masaood	Board Member	73,098	Nil	Nil
3.	H.E. Mohamed Thani Murshed Al Rumaithi	Chairman	Nil	Nil	Nil
4.	Mr. Mohamed Hamad Al Mehairi	Vice Chairman	Nil	Nil	Nil
5.	Mr. Khalifa Abdulla Al Romaithi	Board Member	Nil	Nil	Nil
6.	Eng. Saeed Mohamed Al Mehairbi	Board Member	Nil	Nil	Nil
7.	Mr. Khaleefa Ali Mohamed Abdulla AlQamzi	Board Member	Nil	Nil	Nil

3. Board Formation:

A.Statement of the current Board formation (along with the names of both the resigned and appointed Board members) according to the following schedule:

S/N	Name	Category (Executive, Non-executive, and Independent	Experience	Qualifications	Period served as a BOD member of the Company since his first election date*	Their memberships and positions in any other joint- stock companies	Their positions in any other important supervisory, governmental or business entities.
1.	H.E. Mohamed Thani Murshed Al Rumaithi (Chairman of the Board)	Independent	Chairman, Thani Murshed Unilever Board Member, The Environment Agency, Abu Dhabi Head of the Commercial Arbitration Committee at the Abu Dhabi Chamber of Commerce & Industry Board Member UAE-UK Business Council Vice President of the UAE Football Association	Bachelor of Business Administration	4 years and 8 months (appointed 30 April 2015)	Chairman, National Marine Dredging Co. PJSC Board Member, First Abu Dhabi Bank (FAB)	President, Federation of Chambers of the Gulf Cooperation Council (GCC) Chairman, Federation of UAE Chambers of Commerce & Industry Chairman, Abu Dhabi Chamber of Commerce & Industry Board Member, Al Etihad Credit Bureau Vice President, Abu Dhabi Sports Council
2.	Mr. Mohamed Hamad Al Mehairi (Vice Chairman of the Board and	Non-Executive	Executive Director of the Financial Institutions Unit at Mubadala Investment Company	Bachelor of Business Administration and Finance, University of	7 years and 8 months (appointed 30 April 2012)	Board Member, Abu Dhabi Commercial Bank PJSC (ADCB) Chairman, Depa Group,	Board Member, UniCredit S.P.A. Board Member, Emirates Investment Authority (EIA)

S/N	Name	Category (Executive, Non-executive, and Independent	Experience	Qualifications	Period served as a BOD member of the Company since his first election date*	Their memberships and positions in any other joint- stock companies	Their positions in any other important supervisory, governmental or business entities.
	Chairman of the Executive Committee)		(2019 to date) Chief Executive Officer & Board Member, Aabar Investments PJS (2009 - 2018) Director of the Investment Department at the International Petroleum Investment Company (IPIC) (2007- 2009) Investment Manager, IPIC (2006-2007) ADNOC (1999-2006) Sales Coordinator and Market Analyst	Suffolk, Boston, Massachusetts, USA		Dubai International Financial Centre (DIFC)	
3.	Mr. Khalifa Abdulla Al Romaithi	Non-Executive	Executive Director Midstream Sector of Business at Mubadala Investment Company Director of Downstream & Diversified Investment at The International	Bachelor of Business Administration (finance concentration), University of Portland,	4 years and 8 months (appointed 30 April 2015)	Board Member and Audit Committee Member of Depa Group, Dubai International Financial Centre (DIFC) Board Member and Investment Committee Member of Gulf Energy	Deputy Chairman, SUMED, Egypt

S/N	Name	Category (Executive, Non-executive, and Independent	Experience	Qualifications	Period served as a BOD member of the Company since his first election date*	Their memberships and positions in any other joint- stock companies	Their positions in any other important supervisory, governmental or business entities.
			Petroleum Investment Company (IPIC)	Oregon, USA		Maritime PJSC Board Member of Abu Dhabi National Takaful Co. PSC	
4.	Eng. Saeed Mohamed Al Mehairbi	Non-Executive	Director of UAE Properties Development, Mubadala Investment Company (MIC) (2018 to date) Executive Director, Aabar Properties (2017 - 2018) Acting CEO of Arabtec Holding (2015- 2016) Director, Projects Directorate, IPIC (2012 - 2017) Senior Project Coordinator, ADNOC (1997 - 2007) Senior Engineer, ADCO	Master of Quality Management, University of Wollongong (2006) Bachelor of Engineering Management, Abu Dhabi Men's College Certified Project Management Professional	4 years and 8 months (appointed 30 April 2015)	Board Member, Depa Group, Dubai International Financial Centre (DIFC)	Previously served as Board Member of CEPESA (Compania Espanola de Petroleos, S.A.U.), Board Member of Emirates LNG, Board Member of Duqm Refinery and Board Member of SUMED, Egypt

S/N	Name	Category (Executive, Non-executive, and Independent	Experience	Qualifications	Period served as a BOD member of the Company since his first election date*	Their memberships and positions in any other joint- stock companies	Their positions in any other important supervisory, governmental or business entities.
5.	Mr. Khaleefa Ali Mohamed Abdulla AlQamzi (Chairman of the Nomination & Remuneration Committee)	Independent	Director of Abu Dhabi Investment Authority's (ADIA) Evaluation and Follow-up Division Deputy Director, Emerging Markets Equities Department, ADIA Deputy Director, Infrastructure Division, ADIA Manager – Far East Equities Department, ADIA (1997)	BSc. in Management from Marylhurst University, Oregon, USA Executive MBA from Zayed University	1 year and 9 months (appointed 16 April 2018)	Board Member, Abu Dhabi National Energy Company, PJSC (TAQA) Board Member, Abu Dhabi Securities Exchange (ADX)	Chairman of the Investment Committee, Zayed Charitable and Humanitarian Foundation Board Member of Abu Dhabi and Al Ain Distribution Companies Board Member of the UAE Insurance Authority Previously served as a Board Member of the Abu Dhabi Chamber of Commerce & Industry and Abu Dhabi Water & Electricity Authority (ADWEA)
6.	Mr. Ghannam Butti Al Mazrouei (Chairman of the Audit Committee)	Independent	Director of Human Capital, ADNOC (September 2016 to date) Senior Vice President, Support Service Function, ADCO, (January 2015 to	MSc. in Financial Economics, Boston University, Massachusetts, USA (2000) Bachelor of Business	3 years and 7 months (appointed 1 June 2016)	Board Member, Abu Dhabi Securities Exchange (ADX) PJSC	Board Member, Abu Dhabi Retirement, Pensions & Benefits Fund Chairman of ADNOC Schools Board of Trustees, ADNOC Schools Board Member of ADNOC Technical Academy (ATA)

S/N	Name	Category (Executive, Non-executive, and Independent	Experience	Qualifications	Period served as a BOD member of the Company since his first election date*	Their memberships and positions in any other joint- stock companies	Their positions in any other important supervisory, governmental or business entities.
			September 2016) Chief Financial Officer, ADCO, (November 2013 to December 2014) Manager of the Group Financing Department, ADNOC (June 2012 to November 2013) Head of Market Operations & Surveillance, Abu Dhabi Securities Exchange (ADX), (2000 to 2012)	Administration and Finance, Suffolk University, Massachusetts, USA (1998)			Board Member, National Qualification Authority
7.	Mr. Tareq Ahmed Al Masaoood Al Mehairbi	Independent	Director and a Partner of Al Masaoood Automobiles	Bachelor of Business Administration, Higher College of Technology, Abu Dhabi	3 years 7 months (appointed 1 June 16)		Director and a Partner of Al Masaoood Group Director and a Partner of Al Masaoood Developments Director and a Partner of Al Maha Holdings Board Member, Al Jazeera Football Club A Partner of Osbourne

S/N	Name	Category (Executive, Non-executive, and Independent	Experience	Qualifications	Period served as a BOD member of the Company since his first election date*	Their memberships and positions in any other joint- stock companies	Their positions in any other important supervisory, governmental or business entities.
							Engineering and Turbo Power Services, UK

* As at 31 December 2019

B. Statement of the percentage of female representation in the Board for 2019 (In case of non-representation, please state that there is no representation).

There is no female representation on the Board.

C. Statement of the reasons for the absence of any female candidate for the Board membership. (Explanatory example: No female candidate is nominated in the Board elections).

The most recent Board election process was advertised in Arabic and English national newspapers prior to the Annual General Assembly Meeting held on 16 April 2018. The Company did not receive any applications from female nominees that complied with the nomination criteria requirements.

D. Statement of the following:

- 1- The total remunerations paid to the Board members for 2018.

The total remuneration approved by AGM was AED 10,251,960, however, actual amount paid to Board Members for FY 2018 was AED 9,562,905.

- 2- The total remunerations of the Board members, which are proposed for 2019, and will be presented in the annual general assembly meeting for approval.

The total proposed remuneration to be paid to Board Members during FY 2019 is nil.

- 3- Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2019 fiscal year, according to the following schedule:

The allowances for attending sessions of the committees paid to the Board members for 2019 was nil.

- 4- Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees and their reasons.

The additional allowances, salaries or fees paid to the Board members for 2019 was nil.

E. Number of the Board meetings held during 2019 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy (The Board members names must match what is stated in the above- mentioned Clause (3A)).

No.	Date of the meeting	Number of Attendees	Number of Attendees by proxy	Names of absent members
1	12-Feb-19	7	Nil	Nil
2	14-May-19	6	Nil	Mr. Ghannam Al Mazrouei
3	8-August-19	5	Nil	H.E. Mohamed Al Rumaithi Mr. Tareq Al Masaood
4	14-Nov-19	5	Nil	H.E. Mohamed Al Rumaithi Mr. Khalifa Al Romaithi

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

There was no Board resolution passed by circulation during the year 2019.

G. Statement of Board duties and powers exercised by Board members or the executive management members during 2019 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:

The Board has approved a list of Board Reserved Matters which form part of the Group's Delegation of Authority Matrix, which delegates decision-making authority in respect of certain operational, financial and governance matters to the Group CEO. Any amendments to the Board Reserved Matters require Board approval.

The Board Reserved Matters and the Delegation of Authority Matrix are reviewed regularly for any updates or improvements required from a governance perspective and updated periodically as appropriate.

In order to empower the OPCO senior management teams to achieve their business plan KPIs and objectives, the Group CEO delegates down certain of their functional, operational and financial decision-making authority to the OPCO CEOs appropriate to the OPCO's day-to-day business requirements commensurate to the materiality of the OPCO to the Group as a whole.

H. Statement of the details of transactions made with the related parties (Stakeholders) during 2019, provided that it shall include the following:

6. Related party transactions and balances

The Group enters into a variety of transactions with companies and entities that fall within the definition of related parties as contained in International Accounting Standard 24 *Related Party Disclosures* on mutually agreed terms. Related parties comprise the Group's shareholders who control or exercise significant influence, directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Joint operations partners and non-controlling interests are considered by the Group as related parties. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

	2019 AED'000	2018 AED'000
a) Due from related parties		
<i>Joint operations</i>		
<i>Amounts due from joint operation partners</i>	515,976	561,231
	-----	-----
<i>Shareholder</i>	557	-
	-----	-----
<i>Other related parties</i>		

Entities with common ownership and management

Emirates Falcon Electro-Mechanical Company (EFECO),

Kingdom of Saudi Arabia - net

Al Waab City W.L.L., Doha, Qatar

Arabtec - Musawa W.L.L, Bahrain

Others

26,181 -

2,552 2,552

- 7,353

2,523 5,024

31,256 14,929

547,789 576,160

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b) Due to related parties

Amounts due to joint operation partners

390,823 390,369

Shareholder

- 7,048

Associate

Depa Plc, Dubai, United Arab Emirates

29,086 50,855

Other related parties

Entities with common ownership and management

Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Doha, Qatar

29,392 31,686

Others

1,644 7,071

31,036 38,757

450,945 487,029

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c) The nature of significant related party transactions and the amounts involved were as follows:

	2019 AED'000	2018 AED'000
Joint operation partners		
Contract and other revenue	37,431	98,229
Manpower and other charges	(42,757)	(64,543)
	<u> </u>	<u> </u>
Shareholders		
Contract revenue	30,236	23,119
	<u> </u>	<u> </u>
Other related parties		
Contract and other revenue	24,577	15,943
Subcontracting costs	-	(10,134)
	<u> </u>	<u> </u>

Certain contracting customers of the Group are entities controlled by the Government of the Emirate of Abu Dhabi. the Group enters into transactions with such entities in the normal course of business (providing construction services). Below is a list of all balances and transactions relating to such projects:

As at and for the year ended	Due from customers on construction contracts AED'000	Certified receivables AED'000	Retention receivables AED'000	Advances received AED'000	Revenue AED'000
31 December 2019	600,914	341,737	287,325	456,880	2,452,416
31 December 2018	991,466	403,944	382,918	523,185	2,319,156

d) The remuneration of directors and other members of key management during the year was as follows:

2019 2018

	AED'000	AED'000
Short term benefits	11,694	13,512
End of service indemnity	570	751
Attendance fees to directors	9,562	9,200
Bonus	10,028	9,218
	<u> </u>	<u> </u>

The remuneration of key executives and attendance fees of the Board of Directors are determined by the Board of Directors.

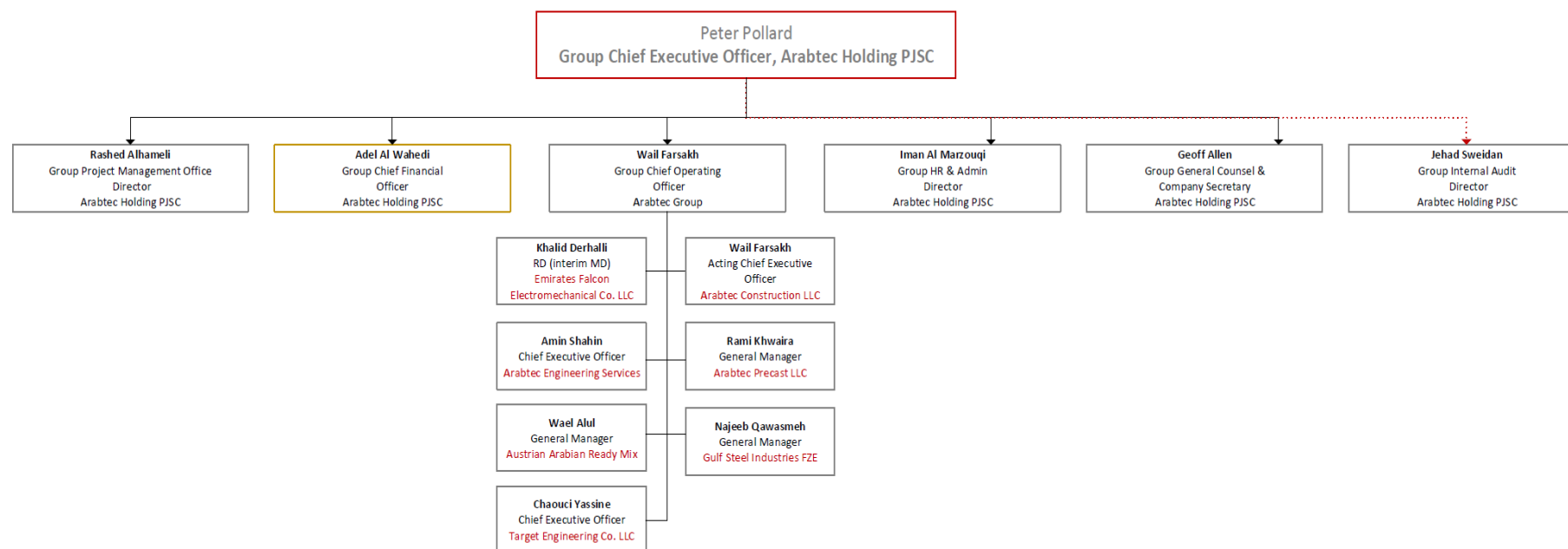
e) Included in due from customers on construction contracts is an amount of AED 2,029 thousand (2018: AED 668 thousand) due from a shareholder.

The Group, in the ordinary course of business, enters into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned by the Government of the Emirate of Abu Dhabi. The effect of these transactions are included in the consolidated financial statements. These transactions are made at terms equivalent to those that prevail in arm's length transactions.

Cash and cash equivalents and borrowings include AED 127,127 thousand (2018: AED 324,432 thousand) and AED 555,795 thousand (2018: AED 540,181 thousand) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance cost include AED 25,011 thousand (2018: AED 30,582 thousand) relating to balances with these entities.

6. Related party transactions and balances (continued)

- I. The complete organizational structure of the company, which shall clarify managing director, the general manager and / or CEO, the deputy general manager and the managers working in the company such as the financial manager.



J. A detailed statement of the senior executives in the first and second grade according to the company organizational structure (according to 3-I), their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them, according to the following schedule:

Ser.	Name	Position	Appointment date	Total salaries and allowances paid for 2019 (AED)	Total bonuses paid for 2019 (AED)	Any other cash / in-kind bonuses for 2019 or due in the future
1	Hamish Tyrwhitt*	Group Chief Executive Officer	28-Nov-16	1,483,053	5,608,512	Nil

2	Peter Pollard	Group Chief Executive Officer	16-Apr-17	3,024,000	961,459	Nil
3	Wail Awni Farsakh	Group Chief Operations Officer	02-Sep-19	780,000	Nil	Nil
4	Adel Al Wahedi*	Group Chief Financial Officer	05-May-19	1,797,729	Nil	Nil
5	Boyd Merrett*	Chief Executive Officer - ATC	16-Jul-17	2,473,995	882,483.00	Nil
6	Ravi Murthy*	Chief Financial Officer - ATC	28-Jun-15	693,353	527,070	Nil
7	Paul Freeman*	Chief Operations Officer - ATC	23-Jul-17	1,189,390	893,419	Nil
8	Matthew Voon*	Chief Pre-Contract and Procurement Officer - ATC	17-Sep-17	1,582,236	722,831	Nil
9	Paul Kimberley*	Chief Commercial Officer - ATC	22-Oct-17	1,506,159	722,831	Nil
10	Chaouci Yassine	Chief Executive Officer - Target	01-Jun-02	1,722,590	861,085	Nil
11	Gavin John Appleby*	Managing Director - EFECO	28-May-17	1,145,592	767,370	Nil
12	Amin Shahin	Chief Executive Officer - AES	01-Sep-97	603,880	Nil	Nil
13	Wael Alul	General Manager - AARM	24-Dec-05	1,140,075	573,207	Nil

*Employee has left the Arabtec Group

4. External Auditor:

A. Submit an overview of the company auditor to shareholders.

Deloitte & Touche (M.E) was appointed as the Company's external auditor for the fiscal year 2019. Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 286,000 professionals are committed to becoming the standard of excellence.

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

Name of the audit office and partner auditor	Deloitte M.E, Cynthia Corby
Number of years he served as the company external auditor	Appointed in April 2019.
Total audit fees for 2019 in (AED)	2,300,000
Fees and costs of other private services other than auditing the financial statements for 2019 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	Report regarding the undistributed dividends as per SCA request AED 22,000 Evaluation services with an amount of USD 80,000.
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.	Report regarding the undisturbed dividends as per SCA requirements.
Statement of other services that <u>an external auditor</u> other than the company accounts auditor provided during 2019 (if any). In the absence of another external auditor, this matter is explicitly stated.	Moore Stephens: Goodwill & Intangible Assets impairment review as per IAS 36. Mithras Consultants: Actuarial valuation of employees' gratuity benefits as per IAS 19.

- **Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for 2019 and in case of the absence of any reservations, this matter must be mentioned explicitly.**
- The Group's investment properties, which are carried in the statement of financial position at AED 594 million, include investment properties with a carrying amount of AED 568 million which exhibit indicators of impairment. Management has not determined if the recoverable amount of the aforementioned investment properties exceed their carrying amount, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

- The Group's revenue and direct costs are presented in the consolidated income statement at AED 7,786 million and AED 8,117 million respectively. Management has measured revenue by including variable consideration in the transaction price of certain construction contracts, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. Management has also excluded certain forecast contract costs and included the recovery of unapproved back charges and discounts with certain subcontractors in their estimates of forecast costs to complete when determining the forecast contract profit or loss. These matters constitute a departure from IFRSs. The Group's records indicate that, had management constrained its estimates of variable consideration in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved and had all forecast contract costs been included and all unapproved back charges and discounts been excluded in the estimates of forecast costs, an amount of AED 710 million would have been required to reduce revenue and an amount of AED 404 million would have been required to increase direct costs. Accordingly:
 - the loss for the year would have been increased by AED 1,114 million;
 - the loss per share would have been increased by AED 0.74 per share;
 - due from customers from construction contracts would have been reduced by AED 436 million;
 - other current assets would have been reduced by AED 250 million;
 - opening retained earnings would have been reduced by AED 121 million;
 - due to customers from construction contracts would have been increased by AED 404 million;
 - trade and other payables would have been increased by AED 145 million; and
 - total equity would have been reduced by AED 1,235 million
- The Group's trade and other receivables, due from customers on construction contracts and trade and other payables, which are carried on the statement of financial position at AED 2,239 million, AED 2,338 million and AED 5,008 million include contract receivables and amounts due from customers on construction contracts with a total carrying amount of AED 302 million and a provision for contract losses of AED 76 million. Management has not stated these amounts after taking into consideration the status of negotiations with customers at the reporting date which would increase the allowance for expected credit losses, which constitutes a departure from IFRSs. The Group's records indicate that, had management stated contract receivables, amounts due from customers on construction contracts and the provision for contract losses after taking into consideration the status of negotiations with customers at the reporting date, a total amount of AED 226 million would have been required to reduce contract receivables, amounts due from customers on construction contracts and decrease the provision for contract losses, included in

trade and other payables. Accordingly, general and administrative expenses, the loss for the year and total equity would have been increased by AED 226 million and the loss per share would have been increased AED 0.15 per share.

5. Audit Committee:

A. The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Ghannam Al Mazrouei, Audit Committee Chairman, acknowledges his responsibility for the Audit Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

B. Names of the Audit Committee members and clarifying their competences and tasks assigned to them.

Name	Position	Category
Mr. Ghannam Al Mazrouei	Chairman	Independent
Mr. Khalifa Al Romaithi	Member	Non-Executive
Mr. Amine Abid	Member	External

The Audit Committee charter sets forth the duties of the Nomination and Remuneration Committee including:

- Establishing and implementing a policy for entering into a contract with the external auditors;
- Following up and controlling the independence of the external auditors and the extent of their objectivity;
- Controlling the integrity of the Group's financial statements and reports (yearly, half-yearly and quarterly) and reviewing the same during the year;
- Considering any important and unusual items recognised or to be recognised in these reports and accounts;
- Reviewing financial and internal control and risk management systems in the Group;
- Discussing the internal control system with management and ensuring it fulfils its purpose of establishing an effective internal control system;
- Examining the main investigations' results with respect to internal control matters;
- Ensuring coordination between the Internal Audit Department and the external auditors and the availability of required resources for the internal control system;

- Reviewing financial and accounting policies and procedures for the Group;
- Reviewing the external auditors' mission and action plan;
- Ensuring the timely response by the Board to substantive clarifications and issues raised in the external auditors' report;
- Establishing the controls that enable the Group's employees to report any suspected irregularity in financial or internal control reports, or such other matters, in a confidential manner, as well as the steps to investigate such irregularities independently and fairly;
- Monitoring the extent of the Group's compliance with the code of conduct;
- Ensuring the implementation of business rules related to the Committee's duties and the powers vested therein by the Board; and
- submitting a report to the Board on the above-mentioned matters.

C. Number of meetings held by the Audit Committee during 2019 and their dates to discuss the matters related to financial statements and any other matters, and demonstrating the members' personal attendance times in the held meetings.

Ser.	Date.	Matters	Members Apologized from Attendance
1	22. 01.2019	Refinancing Update	None
2	06.02.2019	FY2018 Financials and Internal Audit Plan	Mr. Khalifa Al Romaithi
3	17.02.2019	Refinancing Update	None
4	05.03.2019	Refinancing Update	Mr. Amine Abid
5	12.05.2019	Unaudited Financials Q1 2019	None
6	17.06.2019	Refinancing Update, Internal Control Update, and External Auditor Update	None
7	03.07.2019	Refinancing Update	Mr. Amine Abid
8	13.07.2019	Legal Update and Refinancing Update	Mr. Khalifa Al Romaithi
9	01.08.2019	Unaudited Financials Q2 2019	None
10	07.08.2019	Unaudited Financials Q2 2019	None

11	14.11. 2019	Unaudited Financials Q3 2019	Mr. Khalifa Al Romaithi
12	10.12.2019	Internal Audit Update	Mr. Amine Abid

6. Nomination and Remuneration Committee:

A. The Nomination and Remuneration Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism and ensuring its effectiveness.

Mr. Khaleefa Ali Al Qamzi, Nomination and Remuneration Committee Chairman acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

B. Names of the Nomination and Remuneration Committee members and clarifying their competences and tasks assigned to them.

Name	Position	Category
Mr. Khaleefa Ali Al Qamzi	Chairman	Independent
Mr. Saeed Mohamed Al Mehairbi	Member	Non-executive
Mr. Tareq Ahmed Al masood	Member	Independent

C. Statement of number of meetings held by the Committee during 2019 and their dates, and statement of all Committee members' personal attendance of times.

Ser.	Date	Matters	Members Apologized from Attendance
1	21.01.2019	Productivity & Efficiency Emiratisation Strategy Board Remuneration for FY2018	Mr. Tareq Al Masood
2	30 .01.2019	Emiratisation Strategy	None

3	20.02.2019	Group Org Structure and HR Delegation of Authority	None
4	12.03.2019	FY2018 Short Term Incentive Plan (STIP)	None
5	18.04.2019	2019 Group KPIS Group STIP Arabtec Holding Org Structure	None
6	13.05.2019	Business Structure and succession planning positions GCEO Resignation and EOS Executive Committee charter and attendance Fees	None
7	22.05.2019	2019 Group KPIS Business Structure succession planning Executive Committee charter and attendance Fees Promotion Cases	None
8	20.06.2019	Business Structure Project Sustain Committee Attendance Fees proposal Promotion Cases	None
9	12.09.2019	Project Sustain for ATC Head count reduction and other initiatives Organizational Structure D Matters related to seniors' positions and executive vacancies	Mr. Saeed Al Mehairbi
10	17.10.2019	Project Sustain for ATC Head count reduction and other initiatives Hiring Proposal	Mr. Tareq Al Masaood
11	16.12.2019	Project Sustain Update Project Phoenix Office Relocation Benefits and Compensation (A&P)	None

The Nomination and Remuneration Committee charter sets forth the duties of the Nomination and Remuneration Committee including:

- Verification of continuous independence of Board Members;
- Formulating and reviewing annually the policy on granting remuneration, benefits, incentives and salaries to Board Members and employees and verifying that remuneration and benefits granted to the management of the Group are reasonable and in line with the Group's performance;
- Determining the Group's need for qualified staff at the level of the senior management level and employees and the basis of their selection;
- Formulating and supervising the application and annual review of the Group's human resources and training policy; and
- Organising and complying with the procedures of nomination to the membership of the Board in line with applicable laws and regulations as well as the Committee charter.

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

A. Acknowledgment by the Committee Chairman or the authorized person of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Geoff Allen acknowledges his responsibility for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

B. Names of members of the Supervision and Follow-up Committee of insiders' transactions and clarifying their competences and tasks assigned to them.

Geoff Allen, Group General Counsel & Company Secretary; Hani Awwad, Head of Investor Relations; Naama Al Nsour, Group Head of Internal Controls and Compliance Officer, Nabila Alloh, Assistant Board Secretary.

The Insider Trading Committee:

- Prepare a special and comprehensive register of all insiders, including persons who could be considered as insiders on a temporary basis and who are entitled to or have access to inside information of the company prior to publication. The record shall also include prior and subsequent disclosures of insiders.

- Responsible for the management, follow-up, and supervision of insiders' trading and their holdings, maintain the register and submit periodic statements and reports to the Market.

C. A summary of the committee's work report during 2019. (In case the committee was not formed, the reasons should be explained).

The Arabtec Share Dealing Committee charter sets forth the duties of the Committee including:

- Arabtec Share Dealing Policy
- Establishing and maintaining the Arabtec Share Dealing Policy and ensuring compliance with applicable laws and regulations;
- Making recommendations to the Group CEO in relation to amendments and revisions to the Arabtec Share Dealing Policy;
- Investigating any alleged breaches of the Arabtec Share Dealing Policy; and
- Following-up (including disciplinary action) of any instances of non-compliance.

Insider Register

- Establishing and maintaining the Insider Register and ensuring compliance with applicable laws and regulations;
- Making recommendations to the Group General Counsel in relation to amendments and revisions to the Insider Register; and
- The Committee monitors the Insider Register which is updated quarterly and cross-checks the register with the Company's share book to identify and monitor any potential transactions by insiders.

Blackout Periods

- The Committee is responsible for notifying the Insider Register of the commencement and end of statutory blackout periods and reminding employees that at all times they are strictly prohibited from trading (buying and/or selling) in the Group's shares ten business days prior to the disclosure of unpublished price sensitive information unless the obligation to disclose the information arose due to unforeseen circumstances.

Insider Trading

- Employees are further reminded by the Committee that they must at all times comply with all applicable laws and regulations prohibiting the trading of shares on the basis of unpublished price sensitive information which is a criminal offence with serious penalties including imprisonment.

8. Any other committee (s) approved by the Board.

A. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Mr. Mohamed Hamad Al Mehairi is the Executive Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

B. Name of Committee (s).

Executive Committee

C. Names of each committee members, clarifying its competences and tasks assigned thereto.

Name	Position	Category
Mr. Mohamed Hamad Al Mehairi	Chairman	Non-Executive
Mr. Ghannam Al Mazrouei	Member	Independent
Mr. Khaleefa Al Qamzi	Member	Independent

D.Statement of number of meetings held by the Committee during 2019 and their dates, and all Committee members' personal attendance times.

Ser.	Date	Matters	Members Apologized from Attendance
1	23.06.2019	Group Structure, International Operations, Committee Charter	None
2	14.07.2019	Delegation of Authority and Legal Update	None
3	12.09.2019	Group Structure and International Strategy	None

4	21.10.2019	Arabtec Strategy Update	None
5	07.11.2019	Arabtec Strategy Update	None

The Executive Committee charter sets forth the duties of the Nomination and Remuneration Committee including:

- Consider and make recommendations to the Board concerning the Annual Group Business Plan;
- Periodically review the performance of the Group in meeting strategic objectives set out in the Annual Group Business Plan;
- Periodically review (quarterly) financial performance of the Arabtec Holding PJSC financial performance and make recommendations to Board on short-term and long-term profitability targets;
- Consider and make recommendations to the Board on the viability of new investments and projects for financial gains and provide financial overview of on-going projects;
- Periodically review the Group's business environment and make appropriate recommendations because of developments in the Group's business environment;
- Consider and make recommendations to the Board concerning new strategic initiatives, alliances and potential mergers;
- Identify potential new business opportunities outside the current core activities of the Group, including geographic diversification, and make recommendations to the Board;
- Recommend/approve all international business strategies, opportunities, investment and divestment related to the Group and its OPCOs;
- Recommend/approve the sale or purchase of the assets as per the approved Delegation of Authority Matrix, including but not limited to, the sale or purchase of leasehold and freehold property assets and shares in OPCOs and other investments;
- Decide to appoint an external consultant as per the approved Delegation of Authority Matrix;
- Periodically review and approve the granted POAs for the management and its powers delegated; and
- Such other duties as may be delegated to the Committee by the Board from time to time.

9. Internal Control System:

A. Acknowledgment by the Board of its responsibility for the Company internal control system, review of its work mechanism and ensuring its effectiveness.

The Board has ultimate responsibility for the internal control system within the Group including reviewing its appropriateness and effectiveness. An overview of the Group's internal control system is set out in the statement in section one.

B. Name of the department director, his qualifications and date of appointment.

Naama Al Nsour is the Group Head of Internal Control and Compliance Officer at Arabtec, who was appointed on 1st August 2018. Naama holds a Bachelor in Accounting, a Master's Degree in Business Administration with concentration in Finance and an LLM Master in International Business Law from University of Paris – Pantheon Assas. She has worked previously with DFSA as an Associate Manager in the Supervision Department, and later joined DFM as a Senior Executive in the Listing and Disclosure Department. Prior to joining Arabtec, Naama worked with Jumeirah Golf Estates as the Company Secretary and Compliance Officer.

C. Name of compliance officer, his qualifications and date of appointment.

Naama Al Nsour is the Compliance Officer for Arabtec. Naama was appointed on 1st August 2018.

D. How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in the annual reports and accounts (in case of the absence of major problems, it must be mentioned that the Company did not face any problems).

The company did not face any major problems with its internal control system.

E. Number of reports issued by the Internal Control Department to the Company's Board of Directors.

The IC&CD issued an annual report of its Internal Control Review for the year 2019. The report covered the alignment of the newly developed Group Delegation of Authority ("DoA") with the Power of Attorneys ("PoA") granted to the senior management, and the issue of the new Internal Control Framework based on COSO's Framework. The review covered the segregation of duties and the implementation of the automated approval system on different transactions through Oracle based on the new DoA.

10. Details of the violations committed during 2019, explaining their causes, how to address them and avoid their recurrence in the future.

There were no material violations during the financial year.

11. Statement of the cash and in-kind contributions made by the Company during 2019 in developing the local community and preserving the environment. (In case of the absence of contributions, it must be mentioned that the Company has not made any contributions.)

There were no activities of cash and in-kind contribution made by the Company during 2019.

12.General Information:

A. Statement of the company share price in the market (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2019.

Month	Month High	Month Low	Month Close
Jan 2019	2.220	1.890	2.160
Feb 2019	2.230	1.950	2.160
Mar 2019	2.250	2.090	2.130
Apr 2019	2.280	2.060	2.070
May 2019	2.080	1.370	1.540
Jun 2019	1.670	1.460	1.520
Jul 2019	1.830	1.510	1.770
Aug 2019	1.780	1.580	1.610
Sep 2019	1.820	1.570	1.750
Oct 2019	2.050	1.690	1.850
Nov 2019	1.870	1.200	1.230
Dec 2019	1.480	1.220	1.290

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

Month Year	ARTC	DFMGI	REAL ESTATE
Jan 2019	2.16	2567.59	4062.61
Feb 2019	2.16	2635.78	4426.3
Mar 2019	2.13	2634.86	4338.84

Apr 2019	2.07	2767.1	4321.3
May 2019	1.54	2620.33	4018.54
Jun 2019	1.52	2658.63	4077.63
Jul 2019	1.77	2918.38	4811.75
Aug 2019	1.61	2758.6	4328.23
Sep 2019	1.75	2781.07	4109.18
Oct 2019	1.85	2746.93	3968.25
Nov 2019	1.23	2678.7	3760.37
Dec 2019	1.29	2764.86	3699.12

C. Statement of the shareholders ownership distribution as on 31/12/2019 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign.

Shareholders classification	Percentage of owned shares %				
	Individuals	Companies	Government	Others*	Total
Local	21.7909	60.0093	0.0174	0.4058	82.2234
GCC	2.4688	1.6046	-	0.0192	4.0926
Arab	4.3815	0.3064	-	0.0952	4.7831
Foreign	3.2529	5.3925	-	0.2554	8.9008
Total	31.8941	67.3128	0.0174	0.7756	100.0

**Others are Banks, Institutions, and MURABAHA*

D. Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2019 according to the following schedule:

Ser.	Name	Number of owned shares	Percentage of owned shares of the company's capital
1	Aabar Investments PJS	390,855,109	26.0570
2	.Calidus L.L.C	180,169,793	12.0113
3	Tasameem Properties	107,439,577	7.1626

E. Statement of how shareholders are distributed according to the volume of property as on 31/12/2019 according to the following schedule:

Ser.	Share (s) ownership	Number of shareholders	Number of owned shares	Percentage of owned shares of the capital
1	Less than 50,000	7,674	74,820,884	4.988
2	From 50,000 to less than 500,000	1,325	183,745,184	12.250
3	From 500,000 to less than 5,000,000	177	211,931,945	14.129
4	More than 5,000,000	17	1,029,501,987	68.634

F. Statement of measures taken regarding the controls of investor relationships and an indication of the following:

- **Name of the investor relationships officer.**
Mr. Hani Awwad
- **Data of communication with the investor relationships (e-mail- phone- mobile- fax).**
Email: hani.awwad@arabtechholding.com
Phone: +971 2 333 6761
Mobile: +971 56 793 3396
Fax: +971 2 333 6622
- **The link of investor relationships page on the Company's website.**
<https://www.arabtechholding.com/investor-relations/investor-resources/>

G. Statement of the special decisions presented in the General assembly held during 2019 and the procedures taken in their regard.

Nil

H. Rapporteur of the Board meetings.

- **Name of the rapporteur of the Board meetings.**
Mr. Geoff Allen
- **His appointment Date.**
14 May 2019
- **His qualifications and experiences.**
Admitted as a Solicitor in England and Wales, September 2005. Hawkamah Certified Board Secretary, October 2017.
- **Statement of his duties during the year.**

The Company Secretary is responsible for the efficient administration of the Company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the Board are implemented.

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

In September 2019, Arabtec Holding PJSC and Trojan Holding LLC announced the commencement of a review of the possibility of combining their construction businesses.

J. Statement of Emiratization percentage in the Company at the end of 2017, 2018, 2019 (workers are excluded for companies working in the field of contracting).

Arabtec Holding - Workforce

	UAE	UAE Nationals	UAE Nationals (Percentage)
Year	Staff	Staff	Staff
Dec-17	6126	46	0.75%
Dec-18	5999	78	1.30%
Dec-19	5755	119	2.07%

**Figures represent the Group for UAE only excluding labourers.*

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

- Completed / Implemented:
 - Launching Arabtec Innovation Platform on the intranet
 - Using mobile applications to control workers productivity on some of the job sites.
 - Implement Facial recognition for workers on most of the job sites.
 - Automation of reporting templates using business intelligence tools to monitor labor productivity and improve productivity.
- Signed MOU / Future developments commitments:
 - Signing an MOU (Memorandum of Understanding) with AUD, RBG & 3Dvinci to promote concrete 3D printing in UAE

- Etisalat signs an agreement to boost digital transformation at Arabtec
- Trials / development / POCs:
 - Trial on Utilizing Internet of things (IoT) for Labour productivity monitoring combined with mobile applications in one of our EXPO2020 projects.
 - Trials on utilizing RPA (Robotic Process Automation) for repetitive business processes.

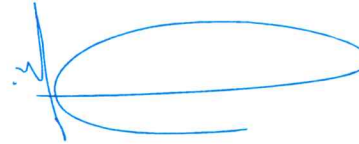
The Board Chairman



Audit Committee Chairman



**Nomination and Remuneration
Committee Chairman**



**Internal Control Department
Director**



Date: 2020

Company Official Seal

