



Corporate Governance Report 2018  
Arabtec Holding PJSC



## **1 A statement of the procedures taken to complete the Corporate Governance system during 2018, and how they are applied.**

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

- Enhance accountability to shareholders and other stakeholders;
- Ensure timely and accurate disclosures of all material matters;
- Deal fairly with shareholders and other stakeholder interests; and
- 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 and Nomination & Remuneration 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 No.7. 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.

### **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.

#### Shared Services Division

In line with the Group's strategic direction, the Shared Services team is responsible for developing and delivering an effective and comprehensive support function

including IT, HR Operations, Insurance and Strategic Procurement. Service Level Agreements ensure quality support is provided to the Group that fit with the Group's objectives.

#### 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 A statement of the transactions of the members of the Board of Directors, and spouses and children there of in the Company' securities during 2018 using the table below:

S/N	Name	Position/Relationship	Shares Held as at 31/12/2018	Total Sale Transactions	Total Purchase Transactions
1	Mr. Tareq Ahmed Al Masaood	Board Member	73,098	Nil	Nil
2	Mr. Ghannam Butti Al Mazrouei	Board Member	31,888	Nil	Nil

### 3 Board of Directors Composition:

a) A Statement of the current Board of Directors (BOD) composition (adding the names of the independent and appointed BOD members) using the table below:

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 Rumaihi	Independent	Chairman, Thani Murshed Unilever	Bachelor of Business Administration	3 years and 8 months (appointed 30 April 2015)	Chairman, National Marine Dredging Co. PJSC Board Member, First Abu Dhabi Bank Chairman, Abu Dhabi Chamber of Commerce & Industry Board Member, Al Etihad Credit Bureau Board Member, The Environment Agency, Abu Dhabi Head of the Commercial Arbitration Committee at the Abu Dhabi Chamber of Commerce & Industry	President, Federation of Chambers of the Gulf Cooperation Council (GCC) Chairman, Abu Dhabi Chamber of Commerce & Industry Board Member, Al Etihad Credit Bureau Board Member, The Environment Agency, Abu Dhabi Head of the Commercial Arbitration Committee at the Abu Dhabi Chamber of Commerce & Industry

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.
2	Mr. Mohamed Hamad Al Mehairi	Non-Executive	Chief Executive Officer & Board Member, Aabar Investments PJS (2009 to date) 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	Bachelor of Business Administration and Finance, University of Suffolk, USA	6 years and 8 months (appointed 30 April 2012)	Board Member, Al Hilal Bank PJSC Chairman, Depa Group, Dubai International Financial Centre (DIFC)	Board Member, UniCredit S.P.A.
3	Mr. Khalifa Abdulla Al Rumaihi	Non-Executive	Executive Director Midstream, Petroleum & Petrochemicals Platform, Mubadala Investment Company	Bachelor of Business Administration (finance concentration), University of Portland, USA	3 years and 8 months (appointed 30 April 2015)	Board Member and Audit Committee Member of Depa Group Board Member, Gulf Energy Maritime PJSC Chairman of the Audit Committee and Board Member of Abu Dhabi National Takaful Co. PSC	Deputy Chairman, SUMED (Egypt)
4	Eng. Saeed Mohamed Al Mehairi	Non-Executive	Director of Real Estate, Aabar Properties (February 2017 to date) Director of the Projects Directorate, IPIC (July 2012 to January 2017) Senior Project Coordinator, ADNOC (November 1997 to July 2007)	Master of Quality Management, University of Wollongong (2006)	3 years and 8 months (appointed 30 April 2015)	Nil	
5	Mr. Khaleefa Ali Mohamed Abdulla AlQamzi	Independent	Director of ADIA's Evaluation and Follow-up Division Deputy Director, Emerging Markets Equities Department – ADIA Manager – Far East Equities Department – ADIA (1997 – present)	BSc. In Management from Marylhurst University Executive MBA from Zayed University	8 months (16 April 2018)	Board Member, Taqa Board Member, Abu Dhabi Securities Exchange	Chairman of the Investment Committee, Zayed Charitable and Humanitarian Foundation

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.	No.		Date of the meeting	Number of Attendees	Number of attendance by proxy	Names of absent members
								No.	Date of the meeting	Number of Attendees	Number of attendance by proxy	Names of absent members	
6	Mr. Ghannam Butti Al Mazrouei	Independent	Director, Human Capital & Administration, ADNOC (September 2016 to date) Senior Vice President of the Support Service Function, ADCO, (January 2015 to 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 CSD Registry Services, ADX (2000 to 2012)	Master of Financial Economics, Boston University, USA (2000) Bachelor of Business Administration and Finance, Suffolk University USA (1998)	2 years and 7 months (appointed 1 June 2016)	Board Member, Abu Dhabi Securities Exchange (ADX) PJSC	Board Member, Abu Dhabi Retirement, Pensions & Benefits Fund Board of Trustees, ADNOC Schools	1	12-Feb-18	6	1	Nil	
7	Mr. Tareq Ahmed Al Masaood Al Mehairbi	Independent	Director and a Partner of Al Masaood Group Managing Director and a Partner of Al Masaood Automobiles	Bachelor of Business Administration, Higher College of Technology	2 years 7 months (appointed 1 June 16)	Director and a Partner of Al Maha Holdings Board Member, Al Jazeera Football Club A Partner of Osbourne Engineering and Turbo Power Services, UK		2	13-Mar-18	7	Nil		

\* as at 31 December 2018

**b)** A statement of women's representation in the Board of Directors in 2018 (in case there is no representation, kindly state 'no representation').

There are no Board Members who are women.

**c)** A statement of reasons why no women were nominated for the membership of the Board of Directors (for example: no women were nominated for the membership of the Board of Directors)

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)** A statement of the following:

**1)** Total remunerations paid to the members of the Board of Directors for the year 2017.

The total remuneration paid to Board Members for FY 2017 was AED 9.2 million.

**2)** Total remunerations proposed to be paid to the members of the Board of Directors for the year 2018, which shall be presented in the annual General Assembly for approval.

The total remuneration proposed to be paid to Board Members for FY 2018 is an amount not in excess of AED 10,251,960.

**3)** A statement of the details of allowances for attending the sessions of committees derived from the BO, which were paid to the BOD members for the fiscal year 2018 using the table below:

The total remuneration paid to Board Members for attending Board Committee Meetings during FY 2018 was nil.

**e)** The number and dates of BOD meetings held during the FY 2018 as well as the attendance frequency by all the members; in person and by proxy (the names of the BOD members should match the information set out in item (3a) above).

No.	Date of the meeting	Number of Attendees	Number of attendance by proxy	Names of absent members
1	12-Feb-18	6	1	Nil
2	13-Mar-18	7	Nil	
3	9-May-18	5	Nil	Mr. Mohamed Al Mehairi Mr. Saeed Al Mehairbi
4	8-Aug-18	4	1	H.E. Mohamed Al Rumaithi Mr. Khaleefa AlQamzi Mr. Tareq Al Masaood
5	6-Nov-18	5	Nil	H.E. Mohamed Al Rumaithi Mr. Khalifa Al Rumaithi

**f)** A statement of the BOD's tasks and functions which were performed by the Executive Management pursuant to an authorization by the BOD to the Management, stating the period and validity of the delegation.

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.

No.	Name of the authorized person	Delegation authority	Duration of Delegation
1	Hamish Tyrwhitt – Group CEO Arabtec Holding PJSC	POA for Arabtec Holding PJSC	3 years
2	Boyd Merrett – CEO of Arabtec Construction L.L.C.	Limited POA for Arabtec Construction	2 years
3	Gavin Appleby – MD EFEKO L.L.C	Limited POA for EFEKO L.L.C.	2 years
4	Chaoui Yassine – CEO of Target Engineering Construction Company L.L.C	Limited POA for Target Engineering Construction Company L.L.C	2 years

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

The below is an excerpt of note (13) under the audited financial statements for FY 2018:

**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 No. 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.

**a) Due from related parties**

	2018 AED'000	2017 AED'000
<b>Joint operations</b>		
Amounts due from joint operations' partners	561,231	634,713
<b>Shareholders</b>	-	73,788
<b>Other related parties</b>		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	2,552	2,552
Arabtec – Musawa W.L.L	7,353	-
Others	5,024	3,356
	14,929	5,908
	576,160	714,409

**b) Due to related parties**

	2018 AED'000	2017 AED'000
<b>Joint operations</b>		
Amounts due to joint operations' partners	390,369	458,796
<b>Shareholders</b>	7,048	-
<b>Associate</b>		
Depa Interiors LLC, Dubai, UAE	50,855	39,304
<b>Other related parties</b>		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	31,686	33,227
Others	7,071	4,941
	38,757	38,168
	487,029	536,268

**c) Loan from a related party**

On 13 July 2016, the Group entered into a loan note agreement with Aabar Investments PJS (a shareholder) for a term loan facility of AED 400 million, to support the projects' execution. As at 22 June 2017, the drawn-down balance of the loan amounted to AED 399,635 thousand, was settled from the proceeds of the rights issue.

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

	2018 AED'000	2017 AED'000
<b>Joint operations</b>		
Manpower and other charges to joint operations	64,543	47,315
<b>Shareholders</b>		
Contract and other revenue	23,119	39,961
<b>Other related parties</b>		
Contract and other revenue	98,229	148,015
Subcontracting costs	10,134	19,236
Equipment hire	-	125
Wages and salaries	-	117

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 here is list of all balances and transactions relating to such projects:

	Revenue AED' 000	Amounts due on construction works AED' 000	Accounts receivable AED' 000	Retentions receivable AED' 000	Advances received AED' 000
Year ended 31 December 2018	4,676,552	991,466	403,944	382,918	523,185
Year ended 31 December 2017	4,204,192	1,233,162	478,639	407,804	979,277

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

	2018 AED'000	2017 AED'000
Short term benefits	13,512	10,469
End of service indemnity	751	1,094
Attendance fees to directors	9,200	-
Bonus	9,218	-

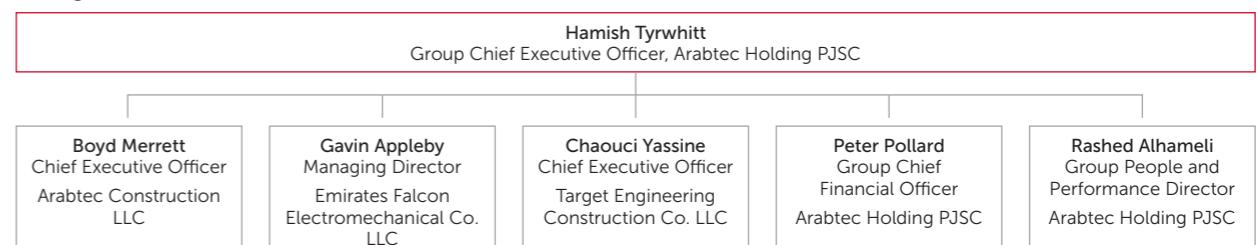
The remuneration of key executives and attendance fees of the Board of Directors are determined by the Board of Directors.

**f) Included in amounts due from customers for contract work is an amount of AED 668 thousand (2017: Nil) 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 324,432 thousand (2017: AED 144,476 thousand) and AED 540,181 thousand (2017: AED 648,937 thousand) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance cost include AED 30,582 thousand (2017: AED 21,050 thousand) relating to balances with these entities.

**g) The organisational structure of the Company, including at least the first and second levels, and including the General Director and/or Executive Manager, Deputy General Director, and the managers of the Company such as the Financial Manager.**



**h)** A detailed statement of the senior executive staff in the first and second levels according to the Company's organisational structure (as set out in item (3h) above), their positions and appointment dates, and total salaries and benefits paid thereto, using the table below:

No.	Position	Date of Appointment	Total Salaries and Allowances paid in 2018 (AED)	Total Bonuses paid in 2018 (AED)	Any other Cash/in-kind benefits for 2018 or payable in the future
1	Group Chief Executive Officer	28-Nov-16	4,357,923	5,223,312	Nil
2	Group Chief Financial Officer	16-Apr-17	1,863,811	961,459	Nil
3	Group People and Performance Director	7-Dec-15	1,168,542	261,936	Nil
4	Chief Executive Officer – ATC	16-Jul-17	2,456,784	1,176,643	Nil
5	Chief Executive Officer – Target	1-Jun-02	1,650,570	861,085	Nil
6	Managing Director – EFEKO	28-May-17	1,534,725	767,370	Nil

**4 External Auditor:**

**a)** A brief about the external auditor of the Company's to the shareholders.

PwC is one of the largest professional services firms in the Middle East. Established in the region for more than forty years. PwC has over 4,500 people working in twelve countries across the region: Bahrain; Egypt; Iraq; Jordan; Kuwait; Lebanon; Libya; Oman; The Palestinian Territories; Saudi Arabia and the United Arab Emirates. PwC's regional team brings international experience delivered within the context of the Middle East region and its culture. PwC also brings the collective knowledge and experience of more than 250,000 people across the global PwC network with experts in advisory, assurance and tax to help their clients find the value they are looking for.

**b)** A statement of the fees or costs of auditing or the services provided by the external auditor, using the table below:

Name of Auditing Firm	PricewaterhouseCoopers Middle East
Number of years served as an external auditor for the Company	3 years
Total fees for auditing the financial statements of 2018 (in AED)	AED 2.7 million
The fees and costs of the special services other than the auditing of the financial statements in 2018 (in AED), if any, and in case there are no other fees, this shall be expressly stated	USD 60,000 (approx. AED 220,000)
The details and nature of other services provided (if any), and in case there are no other services, this shall be expressly stated	Assessment of IFRS 9 impact
A statement of the other services performed by an external auditor other than the Company's auditor in 2018 (if any), and in case there is no another auditor, this shall be expressly stated	<ul style="list-style-type: none"> <li>• Moore Stephens: Goodwill &amp; intangible assets impairment review for FY 2017.</li> <li>• Mithras Consultants: Actuarial valuation of Employees gratuity benefits as per IAS 19.</li> <li>• Deloitte: VAT implementation.</li> </ul>

A statement of the qualified opinions made by the company's external auditor in the interim and annual financial statements for 2018. In the absence of any qualified opinions, this shall be stated clearly.

**Basis for qualified opinion**

**a)** The Group's investment properties include a property comprising of a plot of land and associated development costs ("the property") with a carrying amount of AED 568 million (2017: AED 568 million). As discussed in note 6 to the consolidated financial statements, management has not carried out a detailed impairment review to assess the recoverable amount of the property, which is calculated as the higher of its value-in-use and fair value less cost to sell in accordance with IAS 36, 'Impairment of assets'. Consequently, we were unable to satisfy ourselves as to the carrying amount of the property and determine whether any impairment charge should have been recorded in the consolidated income statement.

**b)** As explained in note 10 to the consolidated financial statements, the balance of trade and other receivables includes net exposures of AED 153 million relating to amounts due from customers that have not been certified by the customers and which are subject to negotiations and discussions. We were not provided with sufficient appropriate audit evidence to ascertain the extent and timing of the recoverability of these amounts. Consequently, we were not able to determine whether any impairment adjustments relating to these amounts are necessary

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arabtec Holding PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards

**5 Audit Committee:**

**a)** The names of members of the audit committee, and a statement of its functions and the duties assigned thereto.

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

- 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.

**b)** The number and dates of the meetings held by the Audit Committee during the year 2018 to discuss issues related to the financial statements and any other issues, and a statement of the attendance frequency in person by the committee's members.

Date	Mr. Ghannam Al Mazrouei (Chairman)	Mr. Khalifa Al Romaithi	Mr. Amine Abid
Meeting 1: 06/02/18	○	○	○
Meeting 2: 06/03/18	○	○	○
Meeting 3: 09/05/18	○	○	○
Meeting 4: 03/07/18	○	○	○
Meeting 5: 10/07/18	○	○	○
Meeting 6: 17/07/18	○	○	○
Meeting 7: 08/08/18	○	○	○
Meeting 8: 18/09/18	○	○	○
Meeting 9: 09/10/18	○	○	○
Meeting 10: 23/10/18	○	○	○
Meeting 11: 06/11/18	○	○	○

○ Attended ○ Did not attend

## 6 Nomination and Remuneration Committee:

a) The names of members of the Nomination and Remuneration Committee, and a statement of its functions and the duties assigned thereto.

Committee Member	Position	Category
Mr. Mohamed Hamad Al Mehairi Chairman		Non-Executive
Mr. Khaleefa AlQamzi	Member	Independent
Mr. Tareq Al Masaood	Member	Independent

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.

b) A statement of the number and dates of the meetings held by the Nomination & Remuneration Committee during the year 2018, stating the frequency of attendance in person by all the members of the committee.

Meetings	Date	Mr. Mohamed Al Mehairi (Chairman)	Mr. Tareq Al Masaood	Mr. Jamal Al Nuaimi*	Mr. Khaleefa Al Qamzi
1	25/01/18	◎	◎	◎	-
2	14/03/18	◎	◎	◎	-
3	09/04/18	◎	◎	◎	-
4	08/05/18	◎	◎	-	◎
5	01/08/18	◎	◎	-	◎
6	10/10/18	◎	◎	-	◎

◎ Attended ◯ Did not attend

\*Jamal Al Nuaimi was replaced with Mr. Khaleefa AlQamzi as a member of the NRC from 8th of May 2018.

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

a) The names of members of the Insiders' Trading Follow-Up and Supervision Committee, and a statement of its functions and the duties assigned thereto.

Geoff Allen, Group General Counsel, Sara Shadid, Head of Investor Relations, and Naama Al Nsour, Head of Internal Controls and Compliance Officer.

b) A summary of the Committee's activities in 2018. (In case the Committee not formed, state the reasons).

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 committee or other committees approved by the Board of Directors

a) Name of committee or committees.

Not applicable.

b) The names of the members of each committee, and a statement of its functions and the duties assigned thereto.

Not applicable.

c) A statement of the number and dates of the meetings held by the committee during the year 2018, stating the frequency of attendance in person by all the members of the committee.

Not applicable.

### Internal Control System:

a) The BOD's acknowledgement of its responsibility for the Internal Control System in the Company and its review of the functioning mechanism of internal control 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) The name, qualifications, and date of appointment of the Director of Internal Control Department.

Naama Al Nsour is the Head of Internal Controls and Compliance Officer at Arabtec, who was appointed on 1<sup>st</sup> August 2018. Naama holds a Bachelor in Accounting and a Master's Degree in Business Administration with concentration in Finance. She has worked previously with DFSA as an Associate Manager in the Supervision Department, and later she 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) The name, qualifications, and date of appointment of the Compliance Officer.

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

d) How the Internal Control Department handle any significant issues in the company, or issues disclosed in the annual reports and accounts (in case there are no significant issues, it should stated that the Company did not have any significant issues).

The Company didn't encounter any significant internal control issues during FY 2018.

## 9 Details of the violations committed during the year 2018 and a statement of reasons thereof, and how they addressed and how they will avoided in the future.

There were no material violations during the financial year. A number of minor issues were raised to the Audit Committee and appropriate follow-up and action has been taken where necessary.

## 10 A statement of the cash and in-kind contributions made by the Company during the year 2018 toward the local community development and environmental conservation. (In case there are no contributions, it should be stated that the Company did not make any contributions).

Arabtec carried-out a number of initiatives during 2018 as part of its Corporate Social Responsibility and Sustainability objectives.

### Health Awareness Programme

Aiming to develop health seeking behaviour among workmen, Arabtec initiated a Health Awareness Programme to raise awareness among workmen on different health issues, including their management and prevention. The various topics discussed were: occupational; communication; heart; renal and skin diseases; as well as alcoholism; smoking; diabetes; and personal hygiene. Using various mediums, workmen were advised on how to prevent such diseases, as well as recognise symptoms and effectively manage the situation should they be affected.

### Freedom of Religion

Arabtec conducts all religious celebrations within worker's accommodation when food, sweets and beverages are distributed to all regardless of their religion. This initiative generates a "freedom of religion" culture, builds on tolerance within the workforce and enables different beliefs to come together without judgement.

### Talent Show

The show provided employees the opportunity to audition with each stage held at a different location. The final event was well-supported and enjoyed by more than 3,000 supporters from across the Group.

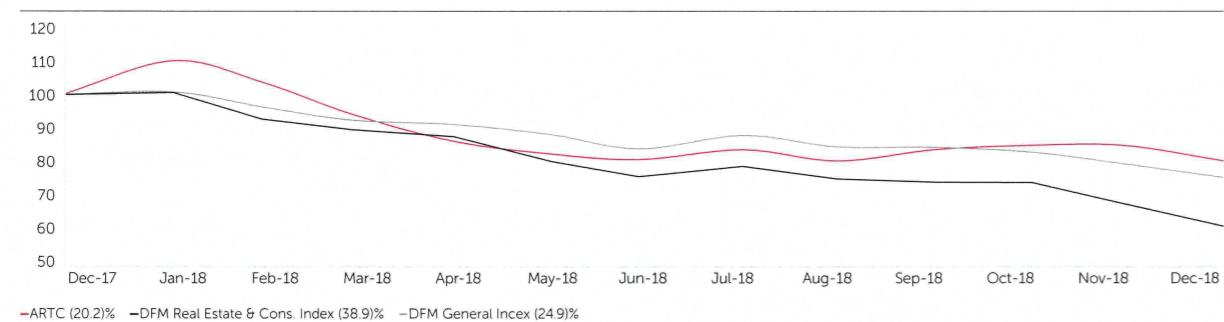
### UAE National Day, football and cricket competitions

During UAE National Day, Arabtec organises football and cricket competitions for the workers. This initiative fosters teamwork and builds a sense of community for those participating and spectators.

**11 General Information:**

a) A statement of the Company share price in the Market (closing price, highest price, lowest price) in the end of each month during year 2018.

Month (FY 2018)	Month – High	Month – Low	Month – Close
January	2.780	2.380	2.610
February	2.790	2.420	2.460
March	2.490	2.170	2.230
April	2.300	2.010	2.040
May	2.080	1.580	1.950
June	2.350	1.850	1.910
July	2.110	1.920	1.980
August	2.010	1.840	1.900
September	2.010	1.710	1.980
October	2.030	1.730	2.010
November	2.410	1.990	2.010
December	2.150	1.790	1.900



c) A statement of shareholding distribution as of 31/12/2018 (individuals, companies, governments) classified as follows: local, GCC, Arab, foreign using the table below:

S/N	Shareholder Category	Percentage of Shares Held					
		Individual	Companies	Government	Banks	Institutions	Total
1	Local	20.8012	60.6759	0.0313	0.6997	0	100%
2	GCC	2.9653	2.0453	0	0.0228	0	
3	Arab	5.1715	0.2954	0	0.0990	0.0028	
4	Foreign	2.7924	4.1287	0	0.2688	0	
5	<b>Total</b>	<b>31.7304</b>	<b>67.1453</b>	<b>0.0313</b>	<b>1.0903</b>	<b>0.0028</b>	<b>100%</b>

b) A statement of the comparative performance of the company's shares with the market index and the sector index to which the company belongs during year 2018.

Month (FY 2018)	ARTC	DFMGI	REAL-ESTATE
January	2.61	3394.36	6759.69
February	2.46	3244.12	6231.82
March	2.23	3108.53	6021.34
April	2.04	3065.96	5884.84
May	1.95	2964.13	5394.44
June	1.91	2821	5089.16
July	1.98	2955.95	5292.43
August	1.9	2840.16	5045.03
September	1.98	2834.95	4979.05
October	2.01	2784.6	4974
November	2.01	2668.66	4557.62
December	1.9	2529.75	4103.01

d) A statement of the shareholders who hold 5% or more of the Company's capital as of 31/12/2018 using the table below:

S/N	Name	Number of Shares Held	% of the Shares Held of the Company's Capital
1	Tasameem Properties	107,439,577	7.1626
2	Calidus L.L.C.	180,169,793	12.0113
3	Aabar Investments PJSP	390,855,109	26.0570

e) A statement of shareholders distribution by the size of equity as of 31/12/2018 using the table below:

S/N	Share(s) Owned	Number of Shareholders	Number of Share Held	% of the Shares Held of the Capital
1	Less than 50,000	8,106	79,738,020	5.308
2	From 50,000 to less than 500,000	1,314	172,512,824	11.5008
3	From 500,000 to less than 5,000,000	178	213,381,455	14.2254
4	More than 5,000,000	15	1,034,367,701	68.9578

f) A statement of the procedures taken with respect to the controls of investors' relations, indicating the following:

**The name and contact information of the Investors' Relations Manager**

Sara Shadid, Head of Investor Relations

ir@arabtechholding.com  
+971 (0) 2 333 7798

**The link of the Investor Relations webpage on the website of the Company.**

<https://www.arabtechholding.com/investor-relations/investor-resources/>

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

Please see link below to Results of AGM 2018 setting out the special resolutions presented to and approved by the General Assembly:

[https://www.arabtechholding.com/media/2065/amendment-artc\\_agm\\_res\\_160418.pdf](https://www.arabtechholding.com/media/2065/amendment-artc_agm_res_160418.pdf)

h) The name of the board secretary and the date of his appointment.

Mr Peter Pollard is the Company Secretary and he was appointed in June 2017.

i) A statement of the significant events that took place in the Company in 2018.

None.

j) A statement of the Emiratisation percentage in the Company as of 2018 (excluding workers for companies operating in contracting).

The percentage during 2018 was 32.3% in Arabtec Holding. The Group has implemented its Emiratisation Strategy and policies to enhance and increase the Emiratisation percentage during 2019.

k) A statement of the innovative projects and initiatives implemented by the Company or which were under development during 2018.

The Group has hired a Director for Innovation in order to achieve the objective of continuous improving and developing the operations. Ongoing innovation initiatives include:

**Laser Scanning**

Efficient and more automated method to capture "as built" drawings for architectural and structural works. The use of a laser scanner on site eliminates a lot of effort that was previously incurred.

**Virtual reality**

Provides a virtual design environment that will facilitate and improve design evaluation, change reviews, design optioneering and virtual mock ups.

**Containerised solutions:**

- Welfare shelter – ECO shelter for Arabtec workersA mobile, containerised, energy sufficient solution that provides a friendly comfortable environment for workers on site with cold drinking water and rotating fans.
- Worker access units – A mobile containerised energy sufficient solution that can expedite workers' access to site resulting in a more efficient workforce.
- Containerised offices with solar energy – Modified shipping containers used as site offices. Due to being fully furnished, modular, hybrid powered and quick to mobilise, this reduces lead times usually required to mobilise staff on site.

**Signature of the Chairman of the Board of Directors**

Company Official Seal  
Date: 2019

