



UNION PROPERTIES PJSC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR 2017



Table of Contents

<u>S.N.</u>	<u>Particulars</u>	<u>Page No.</u>
1	A description of the measures taken to complete the corporate governance system during 2017 and how to implement them	3
2	A statement of the transactions of the members of the Board of Directors and their spouses and sons in the company's securities during the year 2017	3
3	Composition of the Board of Directors	5
4	External Auditor	13
5	Audit Committee and Risk Committee	14
6	Nominations and Remuneration Committee	19
7	Insider's Trading Supervision and Follow Up Committee	20
8	Internal Control System	21
9	Details of Non-Compliances committed during the financial year, Clarifications of its Reasons, and how to address them and avoid recurrence in the future	24
10	A statement of the cash and in-kind contributions made by the company during the year 2017 in the development of the local community and the preservation of the environment	25
11	General Information	27

1. A description of the measures taken to complete the corporate governance system during 2017 and how to implement them

UP has taken many governance initiatives, and on-going governance practices which are as follows:

- Prepared and issued Corporate Governance Manual of the company;
- Prepared and disseminated Corporate Social Responsibility (CSR) policy and created the culture within the organization to 'give back to the Society';
- Prepared and disseminated the 'Whistleblower' policy that creates awareness among the employees that they are important and responsible to report any wrong doings in the company;
- Established Risk Committee and risk & compliance functions within the organization. Promoted Risk Culture within the organization through training and workshops for employees;
- Adoption of the Rules and Procedures governing the transactions by the Board of Directors and employees;
- Adoption of the Code of Business Conduct and Ethics Charter;
- Effective operations of Audit Committee, Nomination and Remuneration Committee and Risk Committee according to their approved charters;
- UP has complied in 2017 with the disclosure of the quarterly and annual financial statements within the legal timeline;

2. A statement of the transactions of the members of the Board of Directors and their spouses and sons in the company's securities during the year 2017

The members of the Board of Directors comply with the provisions of Article 17 of the Cabinet Decision No (12) of 2000 concerning the regulations of listing of securities and commodities, the provisions of Article 38 & 39 of the Cabinet Decision No. (3) of 2000 concerning the regulations as to disclosure and transparency, Article (7) of DFM's Disclosure and Transparency Rules and the applicable policy concerning their trading in the Company's shares as contained in the Company's Control Procedures and Corporate Governance Manual.

All Board members acknowledged that neither they nor their spouse and children traded in the Company's shares during 2017 (starting the date they were elected as members of the board on 26/4/2017), except for the following:

Name	Title/Relationship	Owned shares as of 31 st Dec. 2017	Total Sale Transactions (Shares)	Total Purchase Transactions (Shares)
Mr. Naser Butti Omair and his wife and child	Chairman	1	141,045,115	
H.E. Hamad Almass	Vice Chairman	6,289,228		
Mrs. Raja Al Mazrouei	Board member	4,320		

In addition to the approved policy pertaining to the Board members' dealings, the Company adopts a policy for its employees' trading in the Company's shares. The company strictly specify in its policy a period of ban and requires BoDs and employees to adhere to it as per SCA regulations.

The period of ban on trading was specified under Article 14 of the SCA Board of Directors Decision No. (2) of 2001 concerning the regulations pertaining to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities as follows:

- Ten (10) working days prior to the announcement of any significant information which would result in the share price increasing or decreasing, unless the information was a result of sudden unforeseen circumstances.
- Fifteen (15) days prior to the end of the quarter, semi-annual or annual financial period until the financial statements are disclosed.

Main highlights of UP's policy of disclosure & conflict of interest:

- A member of the Board of Directors who, himself or the party which he represents in the Board of Directors, has a joint interest or a conflict of interest in a deal or transaction submitted to the Board of Directors to take a resolution thereon, must inform the Board of Directors about it and record his acknowledgement in the minutes of meeting. Furthermore, he shall not participate in the voting on the decision relating to the deal or transaction.
- The Company is not allowed to enter into transactions that exceed (5%) of the issued capital unless the transaction has been evaluated by an assessor accredited by the Authority. The Related Party who has an interest in the transaction shall not participate in voting in terms of the

decision taken by the Board of Directors or the general assembly in respect of this transaction.

- Each candidate when running for Board directorship elections shall be committed to submit a statement of the names of companies and corporations which he works for or serves as a member of its board of directors, as well as any other work the candidate performs directly or indirectly that constitutes competition to the Company.

3. The Board of Directors' Composition

3.1 Board of Directors Composition

On 26th April 2017, seven (7) Directors were elected to the company's Board of Directors by the Annual General Assembly ("AGA") for three (3) years tenure. A Board meeting took place after the AGA immediately in which the Chairman and Vice Chairman were elected; and three (3) members resigned (later they denied their resignations to SCA). On 19th June 2017, SCA decided to accept the resolutions of the AGA held on 26th April 2017 in its entirety including the election of the seven (7) BOD members. However, SCA also decided that the election of the Chairman and Vice Chairman is correct and advised that the elected controversial three (3) members are still considered as UP BOD members. Consequently, legal dispute ensued and the Court of Appeal issued its judgement on 31 January 2018. The appeal against the Appeal judgement is still in preparation for filing before the Court of Cassation, the deadline for which is 29th March 2018. The Board is currently composed of four (4) new members chaired by Mr. Naser Butti Omair Bin Yousef.

The Board members are categorized into 'non-executive/non-independent' or 'non-executive/independent' as per definition of these categories by Securities and Commodities Authority and in accordance with the Directors' acknowledgment with regard to independency. During the year 2017, all of the Board members held the capacity of non-executive/independent category. Mrs. Raja Al Mazrouei is currently the only female representative in the Board representing 14% of the Board's composition.



Profiles of Board of Directors:

<p>Mr. Naser Butti Omair Bin Yousef Al Mehairi</p> <p>Position : Chairman of the Board</p> <p>Position held : Since 2017</p> <p>Category: Non-executive/independent.</p> <p>Re – elected Date: Not Applicable</p>	
<p>The Chairman began his ascent in entrepreneurship immediately after completing his education in the United Kingdom. He established his leadership skills while heading several committees and leading national and regional associations which contributed to the growth of UAE, in alignment with his personal vision of economic prosperity for UAE. He also served as a Board member for the Abu Dhabi Chamber of Commerce where he successfully headed several trade missions and established strong ties with several parties to cultivate business opportunities in Abu Dhabi.</p> <p>Mr. Al Mehairi is currently the Chairman of the following companies:</p> <ul style="list-style-type: none"> - Bin Butti International Holding (BBIH) - NBB Capital - OBN Oil - Sky Telecom Group <p>He is also a member of UAE-UK Business Council and had previously held several positions as follows:</p> <ul style="list-style-type: none"> - United Federation of Travel Agents’ Associations (UFTAA) – Honorary Chairman - Abu Dhabi Public Relation Association – Chairman - Travel & Tourism Agencies Council – Chairman - Gulf Travel & Tourism Agencies Association Committee – Chairman - Tourism and Rent-a-Car Committee at the Abu Dhabi Chamber of Commerce – Chairman - Omeir Bin Youssef Group – Board Member - Abu Dhabi Chamber of Commerce – Board Member 	

H.E. Hamad Abdulla Mohamed Abdulla Al Mass

Position : Vice Chairman of the Board

Position held : Since 2017

Category: Non-executive/independent.

Re – elected Date: Not Applicable



His Excellency is a Master's Degree in Business Administration, Master of Science with concentration in Finance, Bachelor of Arts major in Management, Marylhurst University in the United States.

His Excellency is an experienced business leader holding significant positions, as follows:

- 2invest LLC - Managing Director
- Abu Dhabi Department of Economic Development – Executive Director, International Economic Relations Sector
- Support Committee for the UAE-UK Business Council – Chairman

Mr. Mohamed Abdelaziz Ali Abdalla Al Owais

Position : Director of the Board

Position held : Since 2017

Category: Non-executive/independent.

Re – elected Date: Not Applicable



Mr. Al Owais graduated with a BSc degree in Communication Engineering from Etisalat College of Engineering, UAE with First Class (Honors) distinction. He is a fellow member of the Institute of Electrical and Electronics Engineers (IEEE), holds a Master's Degree in Business Administration from the American University of Sharjah, and is currently a Chartered Financial Analyst Level 2 candidate.

Mr. Al Owais is currently Vice Chairman of United Foods Company, and sits on the Boards

of a number of prestigious companies such as:

- Mawarid Finance PSC
- Oman Refreshments Company
- Dubai Refreshments Company
- Sky Net Worldwide Express
- Emirates Islamic Bank (previously)
- Unikai Foods PJSC (previously)

Women representation on UP PJSC Board

Mrs. Raja Mohammed Ghanim Saeed Al Mazrouei

Position : Director of the Board

Position held : Since 2017

Category: Non-executive/independent.

Re – elected Date: Not Applicable



Mrs. Al Mazrouei is an executive graduate from Harvard Business School, she holds an MBA in Global Leadership and Management from the United Arab Emirates University, and a Bachelor's degree in Business Information Technology from the Higher Colleges of Technology in the UAE. Mrs. Al Mazrouei is a member of the Harvard Business School MENA and Central Asia Advisory Board based in Boston and is the Vice President of Harvard Business School Club for the GCC.

She is currently holding the following positions in various companies:

- Fin Tech Hive, DIFC - Executive Vice President where she oversees the innovation initiative that brings together key stakeholders to develop technologies for the financial industry.

The following are her previous roles at the DIFC:

- Senior Vice President of Marketing and Corporate Communication
- Commissioner of Data Protection
- Head of Operations and Information Technology at DIFC Authority.

She also had previously held significant positions in the following companies:

- National Bonds Corporation - Head of Information Technology
- Dubai Holding – Director of the Board
- Higher Colleges of Technology - Development Supervisor

3.2 The Board Meetings

The Board of Directors held six (6) meetings during 2017. Personal attendance record of the Directors for the meetings is described below:

S.N.	The Board Meetings Time Line	Personal Attendance											
		Board of Directors prior to April 2017 AGM							Newly Elected Board of Directors on April 2017 AGM				
		1*	2	3	4	5	6	7*	8*	9	10	11	12
1	08 February 2017	✓	✓	✓	✗	✓	✗	✗					
2	23 March 2017	✓	✓	✓	✗	✓	✓	✓					
3	26 April 2017	✓	▪	▪	▪	▪	▪	✓	✓	✓	✓	✓	✓
4	04 May 2017	▪*						▪*	▪*	✓	✓	✓	✓
5	20 June 2017	▪*						▪*	▪*	✓	✓	✓	✓
6	13 November 2017	▪*						▪*	▪*	✓	✓	✓	✓

1. Mr. Khalid Bin Kalban*

2. Mr. Saeed Mohammed Alsharid

3. H.E. Abdulrahman Al Mutaiwee

4. H.E. Hamad Mubarak Buamim

5. Mr. Abdul Aziz AlSerkal

6. Mr. Saeed Humaid Bin Draï

7. Mr. Ali Fardan Ali Al Fardan*

8. Mr. Mohammed Saif Darwish Ahmed Al Ketbi*

9. Mr. Naser Butti Omair Bin Yousef

10. H.E. Hamad Abdulla Al Mass

11. Mr. Mohamed Al Owais

12. Mrs. Raja Al Mazrouei

Legend:

✓ Attended

▪ Not a Member

✗ Apologized

* Refer to section 9

The Board also passed two resolutions by circulation in 2017.



3.3 Remuneration of Board of Directors

Remuneration of the Chairman and members of the Board of Directors is made up of a percentage of the net profit not exceeding 10% of the fiscal year profits. The Company may also pay expenses, fees, additional bonuses, a monthly salary as decided by the Board of Directors to any of its members if this member works in any committee, makes special efforts, or performs additional work to serve the Company in addition to his regular duties as a member of the Board of Directors. Attendance allowance may not be paid to the Chairman or a Board member for attending the Board meetings.

The total remuneration to the Directors for the financial year 2016 was AED 5,000,000, however, no disbursement was made as will be explained in item 9. Since the company declared losses for year 2017, the Board did not propose the payment of any remuneration for its members in line with Article (38) of the company's Articles of Association. The attendance allowance of the Board Committees paid to Directors of the Board for the financial year 2017 is as follows:

S.N.	Name of Director	Allowance for attending Audit Committee		Allowance for attending Nomination and Remuneration Committee		Allowance for attending Risk Committee	
		Amount (AED)	No.	Amount (AED)	No.	Amount (AED)	No.
1	*Mr. Naser Butti Omair Yousef						
2	*H.E. Hamad Abdulla Al Mass	40,000	4	20,000	2	20,000	2
3	*Mr. Mohamed Al Owais	40,000	4	20,000	2	10,000	1
4	*Mrs. Raja Al Mazrouei	30,000	3	20,000	2	20,000	2
5	Mr. Saeed Mohammed Al Sharid	30,000	3				
6	Mr. Abdul Aziz AlSerkal	30,000	3				
7	H.E. Hamad Mubarak Buamim	10,000	1				
8	Mr. Ali Fardan Ali Al Fardan			50,000	5		
9	Mr. Saeed Humaid Bin Draï			50,000	5		
10	H.E. Abdulrahman Al Mutaiwee			30,000	3		

*Current Members as of 26 April 2017



3.4 Responsibilities assigned to the Executive Management

The Executive Management of the Company has been assigned by the BOD with the following responsibilities as per their term of employment during 2017:

- The Board empowered the Executive Management to carry out the day to day business as prescribed in the company's Articles of Association.
- Represent the company before ministries, governmental departments and organizations and official bodies in the United Arab Emirates, whether federal or local.
- Appoint employees, fix their salaries, specify their job descriptions, and evaluate their performance on behalf of the company.
- Issue periodical reports to be presented to the Board of Directors.
- Sign on behalf of the company as per authorization by the Chairman on all official transactions related to the activities of the company, as well as to sign contracts.
- Executive Management shall refer to the Board when taking decisions related to strategic policies of the company.

3.5 Transactions with Related Parties

Related parties are:

For the purpose of this report, related parties mean:

- The chairman and members of the Board and members of the senior executive management of the Company; companies where any of the aforesaid have a controlling share; and/or the parent, subsidiary, sister or allied companies of the Company.
- First degree relatives of the chairman or a member of the Board or of the senior executive management.
- A natural person or corporate body who/which was a shareholder holding 10% or more in the Company or a member of its Board or of its parent or subsidiary company during the year preceding that of the trading.
- The person who has Control over the Company.

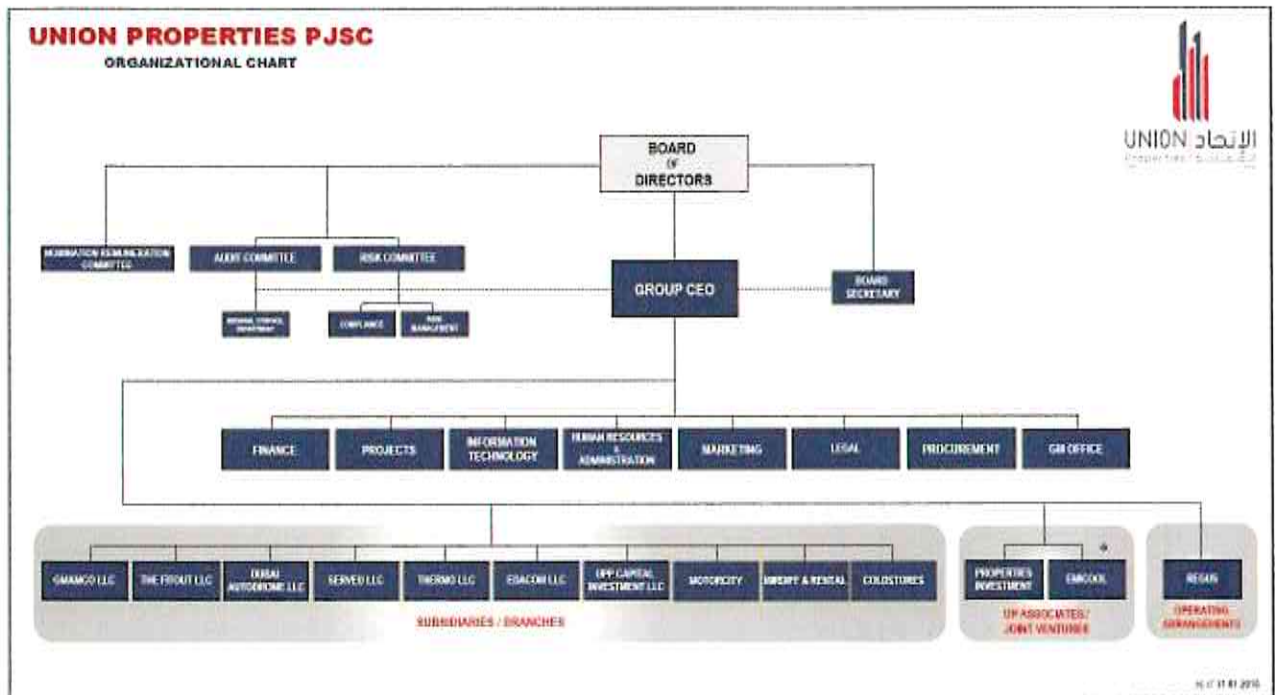
The company's transactions with related parties and balances arising from these

transactions are as follows:

Transactions during the year	2017	Relationship
	AED '000'	
Compensation to senior executive management are as follows:		
Salaries and other short term employee benefits	15,882	Employees
Provision towards employees terminal benefits	728	Employees
	=====	

3.6 Organization Chart

The organizational chart of the company is as follows:



3.7 Executive Management

The following chart shows names of senior executives in the company, their designations, appointment dates and total salaries, allowances & bonuses paid to them:

Name	Designation	Date of joining	Total Annual Salary and Allowances Paid (AED)**	Total Annual Bonus Paid (AED)	Any other cash/in-kind remunerations for 2017 or due in the future
Mr. Ahmad Khouri	Group Chief Executive Officer	May 2017	1,372,739	-	Company vehicle & club membership



Union Properties PJSC
Corporate Governance Report
2017

Mr. Ahmad Al Marri	General Manager	December 2009	1,813,342	545,584	Company vehicle & club membership
Mr. Mohammad Sunalla	Chief Financial Officer	July 2006	1,363,821	264,600	Club membership
Mr. Saw Ying Huei	Chief Construction Officer	October 2017	329,184	-	Club membership
Mr. Khalifa Al Hammadi*	Chairman Advisor – UPP Capital Investment	May 2017	1,293,608	-	Company vehicle & club membership
Mr. Saeed Al Marri	Chief Administrative Officer	June 2017	411,204	-	Club membership
Mr. Ghalib Bin Kharbash	Head of Business Development – Motorcity Business Unit	April 2014	921,972	245,700	Club membership
Mrs. Shahnaz Hassan	Head of Leasing – Mirdiff Business Unit	February 2012	686,489	189,000	Club membership

* Mr. Khalifa Al Hammadi was appointed in a number of positions, and the relevant employment contracts were amended accordingly. He is currently holding the position of “Chairman Advisor – UPP Capital Investment LLC”

Ex-Senior Staff

Name	Designation	Date of joining	Total Annual Salary and allowances Paid (AED)**	Total Annual Bonus Paid (AED)	Any other cash/in-kind remunerations for 2017 or due in the future
Murtaza Yusuf Chevel	Chief Financial Officer	February 2010	578,024	319,244	-
Isam Abdel Rahman Abdullah Ababneh	Chief Construction Officer	October 2013	854,644	245,700	-
Thani Saeed Essa AlFalasi	Chief Audit Executive	August 2016	892,932	-	-

** Includes allowances of telephone, petrol, education, tickets & insurance.

4. External Auditor

KPMG in the UAE is a member firm of KPMG International. It was established in 1973 and now consists of more than 700 staff members, including more than 50 partners and directors leading professionals across offices in Dubai, Abu Dhabi and Sharjah. KPMG International is a global network of professional member firms providing Audit, tax and Advisory services, which operates in 155 countries.



KPMG was re-appointed as the Company's external accounts auditors by the Shareholders at their Annual General Meeting for the year 2017. KPMG is the company's external auditor for the past 23 years.

The professional fees amounted to AED 120,000 against auditing of annual financial statements and AED 180,000 against reviewing of quarterly accounts. Additionally, KPMG has been appointed as external accounts auditors by the company's subsidiaries for which fee have been agreed individually. The fees paid/payable by UP in 2017 to its external auditor against accounting assistance services other than audit tasks amounted to AED 366,128. The Company also hired forensic accountant (Ernst & Young) for the Irregularity mentioned in the first point of the "non-compliance" section under item 9 below.

Besides the aforesaid, the company did not appoint any other external auditors during the year 2017.

5. Audit Committee (AC) and Risk Committee (RC)

A. Audit Committee

5.1 Audit Committee Composition

The Audit Committee is composed of the following Board members as of 31st December 2017:

S.N.	Name	Role	Capacity
1	*Mr. Mohamed Al Owais**	Chairman	Non-executive/independent
2	*H.E. Hamad Al Mass	Member	Non-executive/independent
3	*Mrs. Raja Al Mazrouei	Member	Non-executive/independent

* Current AC Members as of April 2017

Ex-Committee Members

S.N.	Name	Role	Capacity
1	Mr. Abdulaziz Yaqoob Alserkal	Chairman	Non-executive/independent
2	Mr. Saeed Mohammed Alsharid**	Member	Non-executive/independent
3	H.E. Hamad Buamim	Member	Non-executive/independent

** Named as Financial & Accounting expert in the Committee

5.2 Audit Committee Meetings

Audit Committee meetings held for Seven (7) times during the year 2017. Minutes of the meetings are being recorded and approved, and copy of the same is being distributed to the Board members. Recorded below are the dates of the Audit Committee meetings and

attendance records of its Members:

S.N.	The Committee Meeting Time Line	Personal Attendance					
		1	2	3	*4	*5	*6
1	22 January 2017	✓	✓	✓			
2	8 February 2017	✓	✓	×			
3	18 April 2017	✓	✓	×			
4	01 June 2017				✓	✓	✓
5	10 August 2017				✓	✓	✓
6	13 November 2017				✓	✓	✓
7	12 December 2017				✓	✓	×

1. Mr. Abdulaziz Al Serkal
2. Mr. Saeed Al Sharid
3. H.E. Hamad Buamim
4. *Mr. Mohamed Al Owais
5. *H.E. Hamad Al Mass
6. *Mrs. Raja Al Mazrouei

Legend:

- ✓ Attended
- × Apologized
- * Current Member

5.3 Responsibilities of the Audit Committee

In order to accomplish its purpose, the Audit Committee is charged with the following duties and responsibilities:

- Ensuring development and review of the Company's financial and accounting policies and procedures.
- Ongoing review of the integrity of the Company's financial statements and reports (annual, semi-annual, and quarterly) with focus on the following:
 - Any changes in accounting policies and practices;
 - Highlighting the aspects that are subject to the management's discretion;
 - Substantial amendments resulting from auditing;
 - Ensuring going concern;
 - Commitment to the accounting standards approved by the Authority;
 - Commitment to the DFM listing and disclosure rules and any other legal requirements related to preparation of financial reports.
- Coordinating with the Company's Board of Directors, Senior Executive Management, and the financial manager or the manager doing such role in the Company, for the purpose of performing its duties.

- Considering important and unusual issues that are mentioned in such reports and accounts, the committee shall also pay the required attention to any issues brought up by the financial manager, the manager doing such role, compliance officer, or the auditor.
- Recommending to the Board of Directors in respect of selection, resignation, or discharge of the auditor.
- Setting and implementing the policy of hiring the auditor, submitting a report to the Board of Directors specifying the issues the committee deems necessary to take measures thereto, and submitting the committee's recommendations concerning the steps required to be taken in this regard;
- Ensuring the auditor's fulfillment of the terms stipulated in the applicable laws, regulations, and resolutions and the Company's Articles of Association, and following up and monitoring his independence.
- Meeting with the company's auditor without the presence of management at least once annually, and discussing with him the nature and scope of audit process and its effectiveness as per approved auditing standards.
- Reviewing the auditor's work plan, correspondence with the company, comments, proposals, concerns and any substantial inquiries posed by the auditor to senior management concerning accounting records or financial statements or control systems and following up management's response thereto and provision of facilities required for performing the auditor's job.
- Ensuring timely response to the Board of Directors' inquiries for illustration of substantial matters mentioned in the auditor's letter.
- Review and assessment of internal control and risk management systems in the Company.
- Discussing the internal control system with the Board of Directors and ensuring the latter's establishment of an effective system for internal control;
- Considering the results of primary investigations in internal control issues as assigned to the committee by the Board of Directors or based on an initiative on the part of the committee and the Board of Director's approval of such initiative.
- Review of the auditor's assessment of internal control procedures and ensuring coordination between the internal and external auditors.

- Ensuring availability of the resources required for the internal control department, and monitoring the effectiveness of such department.
- Reviewing internal control reports and following up the implementation of corrective measures for the comments arising from such reports.
- Review of Related Party transactions with the company, manage conflict of interest, and suggest solutions with respect to such transaction to the Board prior to signing the contracts.
- Ensuring implementation of code of conduct related to the committee's duties and powers assigned to it by the Board of Directors. Monitoring the extent to which the Company complies with the code of conduct.
- Submitting reports and recommendations to the Board of Directors concerning the above mentioned issues.
- Considering any other issues determined by the Board of Directors.

B. Risk Committee

The Risk Committee was established through a UP Board resolution on 22nd December 2016. Although the Risk Committee is not spelled out as a permanent committee required by the SCA, the Board was of the opinion that UP needs to focus on risk issues because of the complexity of UP's risk exposure especially that the company is undergoing restructuring.

The Risk Committee is composed of the following Board members:

S.N.	Name	Role	Capacity
1	H.E. Hamad Al Mass	Chairman	Non-executive/independent
2	Mrs. Raja Al Mazrouei	Member	Non-executive/independent
3	Mr. Mohamed Al Owais	Member	Non-executive/independent

There were two (2) meetings held during 2017 as follows:



S.N.	The Committee Meeting Time Line	Personal Attendance		
		1	2	3
1	24 July 2017	✓	✓	✗
2	1 November 2017	✓	✓	✓

1. H.E. Hamad Al Mass
2. Mrs. Raja Al Mazrouei
3. Mr. Mohamed Al Owais

Legend:
✓ Attended
✗ Apologized

Summary of the roles and responsibilities of the Risk Committee as set out in its charter is as follows:

- Provide recommendations on policies and guidelines for UP's overall risk appetite in order for UP to formulate specific plans for each risk category.
- Review and oversee UP's risk profile within the context of the Board approved risk appetite.
- Review, discuss and provide recommendations on risk management practices and guidance on strategies adopted by management.
- Review, discuss and comment on the "Business Continuity Plan".
- Ensure the adequacy of UP's risk intelligence levels, in terms of gathering the information about risks, conducting analysis and evaluating risks and utilization of the results for UP's competitive advantage.
- Establish enterprise-wide risk measurement methodologies for quantifying, comparing, benchmarking and prioritizing risks.
- Continuously assess risk management and business continuity strategies to assure that they remain up to date with regulatory, operational and legal changes as well as UP's business objectives.
- Consider and provide feedback on any updates from the CEO/CFO/Risk and Compliance department, when appropriate, on the risk impact of any strategic decision that UP may be contemplating.
- Review risk management related disclosures in the annual report.
- Ensures that all changes to risk policies are approved as per the approved DoA.
- Review reports from Risk department related to risk management.

6. Nomination and Remuneration Committee (NRC)

6.1 Nomination and Remuneration Committee Composition

Nomination and Remuneration Committee is composed of the following Board members as of 31st December 2017:

S.N.	Name	Role	Capacity
1	*Mrs. Raja Al Mazrouei	Chairwoman	Non-executive/independent
2	*H.E. Hamad Al Mass	Member	Non-executive/independent
3	*Mr. Mohamed Al Owais	Member	Non-executive/independent
4	Mr. Saeed Humaid Bin Draï	Chairman	Non-executive/independent
5	Mr. Ali Fardan Al Fardan	Member	Non-executive/independent
6	H.E. Abdulrahman Al Mutaiwee	Member	Non-executive/independent

* Current NRC Members as of April 2017

6.2 Nomination and Remuneration Committee Meetings

There were seven (7) NRC meetings held during 2017. Minutes of meetings are being recorded and approved, copy of the same is being distributed to Board Members, shown below

S.N.	The Committee Meeting Time Line	Personal Attendance					
		1	2	3	*4	*5	*6
1	19 January 2017	✓	✓	✓			
2	26 February 2017	✓	✓	✓			
3	7 March 2017	✓	✓	✓			
4	13 March 2017	✓	✓	×			
5	19 March 2017	✓	✓	×			
6	19 July 2017				✓	✓	✓
7	10 August 2017				✓	✓	✓

is
commi
ttee
attend
ance
record
s:

1. Mr. Saeed Humaid Bin Draï
2. Mr. Ali Fardan Ali Al Fardan
3. H.E. Abdulrahman Al Mutaiwee
4. *Mrs. Raja Mazrouei
5. *H.E. Hamad Al Mass
6. *Mr. Mohamed Al Owais

Legend:

- ✓ Attended
- × Apologized
- * Current Members



6.3 Nomination and Remuneration Committee Roles and Responsibilities

The Nomination and Remuneration Committee is charged with the following responsibilities:

- Setting a policy for nomination of the Board and executive management membership with the aim of ensuring gender diversity and encouraging female nominees through offering privileges, training, motivational programs.
- Regulating and following up the procedures of nomination for Board membership in accordance with the applicable laws and regulations, as well as the provisions of SCA resolution number 7/R.M.
- Constantly verifying independence of independent Board members; and take appropriate measures (set out in sections 4 and 5 under Article (47) of SCA resolution 7/RM) in the event the Committee found out that a Board member has lost his independence.
- Setting the policy for granting bonuses, privileges, incentives, and salaries of the Company's Board members and staff, reviewing such policy annually, and ensuring that the bonuses and privileges offered to the Senior Executive Management are reasonable and in line with the Company's general performance;
- Annual review of the skills required for Board membership, preparation of the required capabilities and qualifications for Board membership including the time a member shall need to allocate to do his/her duties as a Board member;
- Review the Board of Directors structure and submitting recommendations regarding the changes that may be made to the Board;
- Determining the Company's needs of qualifications at the Senior Executive Management level, the staff level, and the criteria for selection thereof;
- Setting the Company's human resources and training policy, monitoring implementation of such policy, and reviewing thereof on annual basis;
- Any other matters determined by the Board of Directors.

7. Insider's Trading Supervision and Follow UP Committee

Since May 2017 the company is undergoing organizational restructuring and Senior Management has taken necessary steps to initiate the process of formation of Insiders'



Trading Committee as per the requirements of Article 12 of the SCA Board Resolution No. (7 R.M) of 2016. The fully operational insider trading committee is expected soon.

8. Internal Control System

8.1 The Board of Directors' acknowledgement of its responsibility for the Internal Control System

The Board of Directors acknowledges its responsibility for design, implementation and effectiveness of the internal control system. Further, the Board is also committed to promote and implement best practices in governance, risk management, and ensure compliance with rules, regulations of applicable laws.

The Internal Control System is designed to ensure compliance with Article (50) of SCA's resolution (7 R.M) regarding Standards of Institutional discipline and Governance of Public Shareholding Companies. Additionally, Internal Control Department performs its duties through adherence to its manual to ensure operating effectiveness of company's internal control.

The Audit Committee is responsible for monitoring the Internal Control System and updating the Board on quarterly basis on the resourcing, testing and effectiveness of internal controls in the Company, while Risk Committee is also responsible for ensuring compliance and monitoring risk at group level.

The Internal Control and Risk Management System's structure established within Union Properties PJSC is depicted as follows:





8.2 Work Mechanism of the Internal Control Department (ICD)

The Internal Control Department reports to the Senior Management of the Company and to the Board of Directors through the Audit Committee in such a manner that ensures its independence. In performing its duties, the ICD applies the latest international standards issued by the IIA of USA as well as the international best practices in the following areas:

- Performing the required updates for the procedures manual and charter to be consistent with the latest international standards as approved by the Audit Committee;
- Developing an audit plan based on the risks related to every sector / department / section in order to prioritize the sections with high risks. The plan is discussed with the CEO and approved by the Audit Committee;
- At the end of each audit, preparing a report for every audited department whereby the objectives, scope, methodology and findings of the audit are presented to the concerned department and the AC. The reports also evaluate the notes in terms of the risk levels, in addition to an extensive assessment of the audited sector or department according to the assessment matrix. The Audit Committee is provided with a copy of the reports and the findings after the discussion with the concerned departments in order to help the Committee to evaluate the internal control within their respective area of responsibility;
- The ICD followed up on the implementation of corrective actions according to the reports issued by the internal and external auditors;

- Offering consulting services with the aim of developing and improving work procedures in a manner which does not compromise the independence of the auditors, and in accordance with the stipulations of the work charter of the ICD;
- Monitoring the communication channels used for confidential reporting;
- Preparing the Corporate Governance Report in light of the provisions of Resolution No. (7 R.M) of 2016; concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies circulated by the SCA.

8.3 Internal Control Department Structure:

Currently Internal Audit is outsourced to Ernst & Young Middle East (EY). EY has been given the scope of conducting internal audits and risk management for the company. Mr. Madhav Prabhu (Associate Director Internal Audit) is acting as a Head of ICD since November 2017. He is a CPA (USA), ACA (India) and CISA certified, having more than 10 years of experience in internal controls, corporate governance and risk management. In the past he has been working with EY, KPMG and Protiviti for almost 5 years.

8.4 Compliance Officer

The Company Secretary, Mr. Fadi Samara, was vested with the responsibility of Compliance Officer at UP since November 2017. Mr. Fadi Samara has extensive experience of DFM regulations, corporate governance and company law. He has over 7 years of professional experience and in the past worked with Dubai Properties Group as Company Secretary.

8.5 How Internal Control Department dealing with Major Problems

Internal Control Department refers all internal control gaps which may result in major risks, to appropriate level of management. In case of pending unresolved issue/s posing major risks, such matters are elevated for attention of audit committee and finally to Board with remarks and recommendations.

During mid-2017, the company had identified suspected irregularity regarding fair valuation of a certain investment property, which was communicated to the relevant authority in the UAE. The irregularity has been investigated by external forensic accountants, and the company has taken adequate steps such as implementation of robust internal controls to avoid such lapses in future (refer to section 9 for more details).



9. Details of Non-Compliances Committed During The Financial Year, Clarification of its Reasons, and How to Address Them and Avoid Recurrence in the Future.

Since May 2017 the company is undergoing organizational, governance and financial restructuring. Due to complexity and diversity of the company and its subsidiaries, the restructuring process will take some time. However, the Board is fully committed to ensure full transparency and to resolve any legal/ statutory requirements that may arise due to such changes.

Non-Compliance

- During investigation in mid-2017, company had identified a suspected irregular activity regarding fair valuation of a certain investment property (the "Irregularity") and had communicated this to the relevant authority in the UAE. The Irregularity was investigated through forensic accountant which concluded that the company did not have title and ownership of such particular investment property. The company's external auditor has given "disclaimer of opinion" during Q2 financial statements review, due to pending investigation, and later amended the opinion to "unqualified" in Q3 financial statements based on final result of investigation.
- Unresolved Situation regarding Board members: On 26th April 2017, seven (7) Directors were elected to the company's Board of Directors by the Annual General Assembly ("AGA") for three (3) years tenure. A Board meeting took place after the AGA immediately in which the Chairman and Vice Chairman were elected; and three (3) members resigned (later they denied their resignations to SCA). On 27th April 2017 DFM has frozen the trading of company shares for almost two days due to complaint received by the three elected Board members on validity of their Board membership. While trading resumed immediately afterwards. On 19th June 2017, SCA decided to accept the resolutions of the AGA held on 26th April 2017 in its entirety including the election of the seven (7) BOD members. However, SCA also decided that the election of the Chairman and Vice Chairman is correct and advised that the elected controversial three (3) members are still considered as UP BOD members. Consequently, legal dispute ensued and the Court of Appeal issued its judgement on 31 January 2018. The appeal against the Appeal judgement is still in preparation for filing before the Court of Cassation, the deadline for which is 29th March 2018.
- There was a delay in filing of the quarterly financials in XBRL format. SCA has cautioned the company due to non-adherence to defined timelines.
- Additionally, there were two cases of non-compliance regarding timing of sending



notification of Board meetings during 2017.

- The company has incurred penalty for delay in renewal of the Public Joint Stock Company (P.J.S.C.) registration.

Corrective Action

- Regarding the Irregularity of a certain investment property, the company rectified and restated the financials. Furthermore, Board is in the process of taking all necessary steps to avoid similar lapse in future. Please refer to "Independent Auditor's Report on Consolidated Financial Statements as on 31st December 2017"
- In the case of unresolved issue of Board members, the final position will be clarified after the completion of legal proceedings.
- Annual SCA and DFM compliance tracker as well as Board meetings schedule is developed to avoid any non-compliance related to timelines defined.

10. A Statement of The Cash and In-Kind Contributions Made by the Company During the year 2017 in the Development of the Local Community and the Preservation of the Environment

The company and its subsidiaries recorded the following achievements in terms of contributions through CSR activities in the year 2017:

Charity Event Support

Through venue and event support, the Dubai Autodrome also assists a host of charitable activities such as:

- a) Wings for Life World Run*
- b) K9 Friends Charity Ball*
- c) Mohammed Bin Rashid Housing Establishment*
- d) November Men's Health Month*
- e) Berets MC Autism Awareness Charity Ride*

Safety Driving Support

The Dubai Autodrome offers safety driving courses, as well as Roll Racing DXB, which gets street racers off of the street and into safe and controlled environment.

Opening Track for Fitness

The Autodome has opened its track for free to the public every Wednesday night for people to bike, jog and exercise in a safe area.



Environmental Support

The Dubai Autodrome is currently developing an initiative to install solar panels on all of the large buildings on site to help supply clean power for the venue.

Tennis Court & Sports Facilities

Developed community based tennis programs and provided sports facilities wherein community can conduct activities, fun days, tournaments and holiday sports camp.

Health Campaign in Motorcity

- Zumba Instructors trained the residents and provided them a proper advice on how to stay physically fit.
- Professional Yoga Instructor demonstrates on how to do stress management and live a healthier lifestyle followed by a free Blood Pressure Check.
- Chef teaches the residents in the community on how to make healthy recipes by just using few ingredients at home which will help them maintain their lifestyle in a healthy manner.
- A health campaign to educate dog owners about the health and environment risks resulting from dog wastes.

Dubai Charity Association

Uptown Mirdiff supports the charitable projects of the Dubai Charity Association through donation campaign during Ramadan up to Eid Al Adha.

Awareness Campaign for Pet Owners

In support of the Dubai Municipality's awareness campaign for pet owners, Uptown Mirdiff assists in distributing leaflets, brochures, etc.

Chess Tournament

Sponsorship of Chess Tournament for all UAE nationals and expat chess players.

DHA's UAE National Day Event

Setting up a majlis and holding a small exhibition of traditional foods and handicrafts.

BB Sports Services

Sponsorship of UAE English Cup to campaign sports and health awareness.

Beit Al Khair Society

Helping the needy people through donations by putting branding and ATM unit at Spinneys basement lobby.

Support to Students

- Uptown Mirdiff supported Medical student in spreading awareness regarding the correlation between Smart Device overuse and sleep quality among adults in UAE; and
- Supported a student who presented an advanced video production course in short film regarding relationships.

Book Hero

Through used books trading to continuously support stray and abandoned animals.

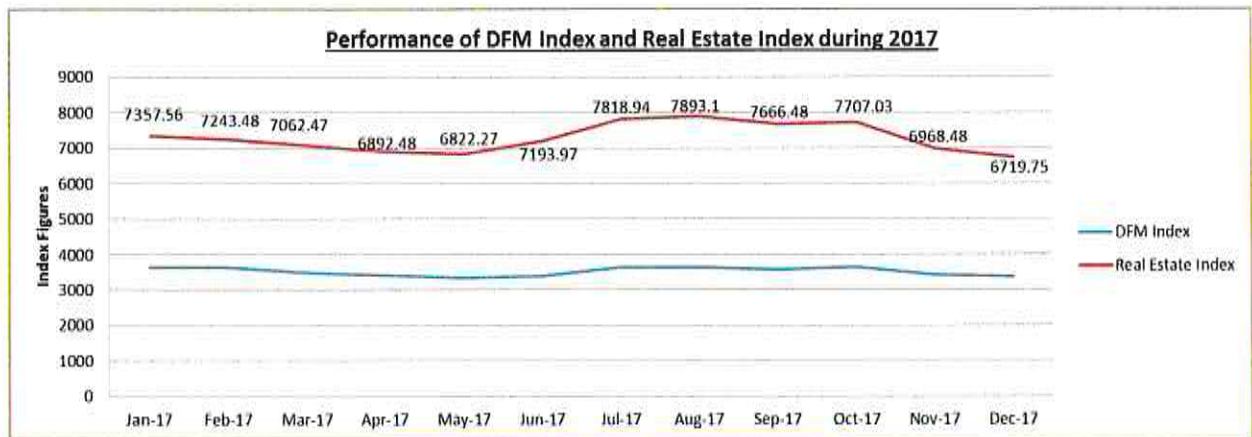
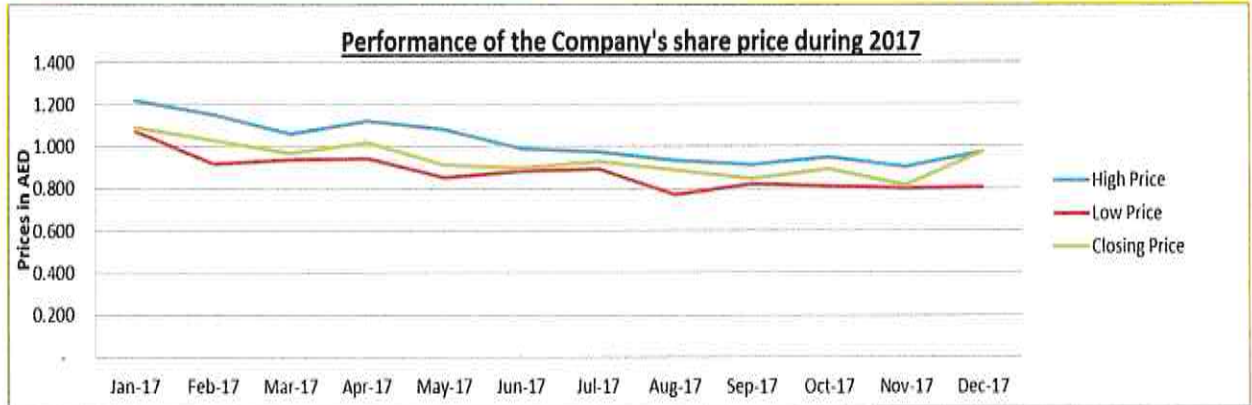
11. General Information

11.1 Significant Events during the Year 2017

- UP participated in City Scape Global 2017 which was held in DWTC and presented upcoming projects.
- UP issued 8% bonus shares to its shareholders.

11.2 Statements of the Company's Share Price at Dubai Financial Market during Financial Year 2017

Month	High Price	Low Price	Closing Price	DFM Index	Real Estate Index
Jan-17	1.220	1.070	1.090	3642.85	7357.56
Feb-17	1.150	0.920	1.030	3630.34	7243.48
Mar-17	1.060	0.940	0.968	3480.43	7062.47
Apr-17	1.120	0.945	1.020	3414.93	6892.48
May-17	1.080	0.850	0.911	3339.37	6822.27
Jun-17	0.992	0.884	0.900	3392	7193.97
Jul-17	0.974	0.892	0.929	3633.18	7818.94
Aug-17	0.932	0.772	0.888	3637.55	7893.1
Sep-17	0.915	0.821	0.845	3563.99	7666.48
Oct-17	0.949	0.810	0.891	3635.87	7707.03
Nov-17	0.903	0.800	0.815	3420.17	6968.48
Dec-17	0.975	0.806	0.975	3370.07	6719.75



11.3 Shareholders' Ownership as per their nationalities

a) Distribution of shareholders' ownership according to the trading activities on 31st December 2017 is as follows:



S.No	Description	Nationality	Shares	Ownership %
1	Individual	Local	2,009,735,360	46.85%
		Others	166,911,226	3.89%
		GCC	93,625,519	2.18%
		Arab	340,276,385	7.93%
2	Company	Local	1,294,521,389	30.17%
		Others	117,761,675	2.74%
		GCC	49,383,317	1.15%
		Arab	18,720,803	0.43%
3	Bank	Local	39,543,031	0.92%
		Others	9,997,188	0.23%
		GCC	541,552	0.01%
		Arab	1,117,941	0.02%
4	Institution (Sole Property)	Local	146,087,942	3.40%
		Arab	-	-
5	Government	Local	1,316,806	0.03%

b) As of 31st December 2017; Bluestone Fund owned 9.97% of the Company's paid-up Capital.

c) Distribution of shareholders' as per the volume of ownership as on 31st December 2017 is as follows:

Sr. No.	Ownership of Shares	No. of shareholders	No. of shares owned	Percentage of shares owned in the capital
1	Less than 50,000	6,381	95,488,619	2.23%
2	From 50,000 to Less than 500,000	3,964	616,028,132	14.36%
3	From 500,000 to less than 5,000,000	744	955,736,313	22.28%
4	More than 5,000,000	106	2,622,287,070	61.13%

11.4 Shareholder's Relations



The company has taken various measures to ensure smooth investor relations, such as disclosing timely information to the market and ensuring compliance with the regulatory disclosure requirements while disseminating information to investors, market analysts and the public.

Company complies with the provisions of SCA's Resolution No. 7 (R.M) of 2016 Concerning Corporate Governance and Discipline Standards of the Public Joint Stock Companies.

Furthermore, the Company's investor relation section of the corporate website includes Fact Sheet (financial highlights), Share information, company announcement, dividend information, financial calendar and corporate governance.

a) Shareholder's Relations Officer

Name and contact details of Shareholder's Relations Officer are as follows;

Name: Mohammad Sunalla
Email: mohammad.sunalla@up.ae
Contact: +971-4-806 6650

Name: Aisha Al Hammadi
Email: aisha.alhammadi@up.ae
Contact: +971-4-806 6641

b) Electronic Link for Shareholders Relation Page

The electronic link for Shareholders Relation Page is as follows;
<http://www.up.ae/investor-relations>

c) Emiritization

The rate of UAE national employees is 17.31% as of December 2017.

d) Key Highlights and Projects

The residential project Oia is worth AED 450 Million and is on the verge of completion. The project has 269 residential units including duplex apartments with private gardens, terraces and direct access to the swimming pools.

Union Properties announced a new/revised masterplan for its flagship MotorCity development in Dubai with a total value of more than AED 8 billion. The new MotorCity masterplan will comprise of 44 new high and low rise buildings, more than 150 villas, and

a wide range of residential, commercial, entertainment and hospitality facilities. It is expected to include more than 11,500 residential units, around 3000 serviced apartments, 3,500 hotel rooms, and a total of 46,000 square meters of retail space and more than 300,000 square meters of office space. In total, the new masterplan will see construction of around 18,000 units comprising residential apartments and villas, hotel rooms and serviced apartments. Union Properties is also exploring options at potential mixed development at Al Dafra/Mighairah consists of Emirati Housing, Hotel and Resorts, commercial and retails etc.

Mr. Naser Butti Omair Bin Yousef
Chairman

