Dubai Financial Market (PJSC)

Corporate Governance Report for 2015
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1. Corporate Governance Practices

Pursuant to the responsibility of the Board of Directors towards shareholders and its duty to protect and promote the value of the shareholders’ equity, the management of Dubai Financial Market (DFM) has endeavoured to apply the rules and principles of corporate governance set forth in the Ministerial Resolution No. 518 of 2009 in an effective and transparent manner. To this end, the DFM has ensured the following:

• The Board of Directors has complied with the requirement to hold 6 meetings during the year as per the meeting calendar.
• The Board members have complied with the annual disclosure of their independence during 2015, and the disclosure of any change affecting their independence, including their membership on other boards.
• The Board members have complied with the requirement to disclose their trades and the trades of their first-degree relatives in the shares of the DFM company.
• The Audit Committee held 5 meetings, the Nomination and Remuneration Committee held 2 meetings, and 3 meetings for the Investment Committee. The Committees performed their duties, submitted written reports to the Board of Directors on their results and recommendations, and followed up with implementation.
• DFM has complied with the disclosure of the quarterly and annual financial statements within the legal timeline.
• DFM has complied with the requirement by the Securities and Commodities Authority regarding the regulations of investor relations.
• Enhancing the knowledge of the Board members in the area of financial markets, and learning about best practices in risk management, by approving the visit of some Board members to the Singapore Stock Exchange from 27.04.2015 to 29.04.2015.
• Continuous development of the skills and expertise of Board members via forums and workshops that the DFM organizes, such as DFM’s third IPO Forum held on 09.11.2015.
• Approving DFM 2015 investment plan.
• Review and approval of the financial regulations by the Fatwa and Shari’a Supervisory Board on 02.02.2015.
• Presenting the new Companies Act No. 2 of 2015 to the Board of Directors to act accordingly.
• Approving the Teammate AM application to automate the work of the Internal Control Department, thus increasing efficiency and effectiveness in completing the work.
• Managing Board Meetings and Board Committee Meetings electronically via iPads.
• Review and approval of some policies by the Board of Directors throughout the year.

2. Trading in the Company’s Shares by Board Members and their First-degree Relatives during 2015

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 on the listing of securities and commodities, and the applicable policy concerning their trading in the Company’s shares, as contained in the Company’s Market Control Procedures and Corporate Governance Guide, by obtaining the required approvals from the regulatory authorities. They also comply with the period of ban on dealings stipulated in Article 14 of the Securities and Commodities Authority’s (SCA) regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities. The Board members also undertake to disclose their trading and the trading of their first-degree relatives annually.

According to the Board members’ statements in January 2016, there was no trading on the company’s shares during the year.

In addition to the approved policy pertaining to the Board members’ dealings, the Company adopts a policy for its employees’ trading in the shares of DFM listed companies (including the Company’s shares). Under the Administrative Decision No. 6 of 2012 issued by the Company’s Management, all DFM employees are regarded as insiders in the listed companies and are required to provide their own investor number and that of their minor children to the Human Resources Department. Any employee wishing to trade (in person or through a third party), must complete a special form prepared for this purpose and submit the completed form to the Market Control department for approval. The department shall, in turn, ensure that the request does not include any legal restraints, especially the period of ban on trading.
The period of ban on trading was specified under Article 14 of the SCA Regulations pertaining to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities as follows:

- Ten (10) working days prior to disclosing any important information, which affects the share price, unless the information was a result of urgent and unexpected events.

- Fifteen (15) days prior to the end of the quarterly, half-yearly or annual financial period and until the financial statements are disclosed.

Without prejudice to Articles 14 and 17 above, the Company employees are permitted to trade in the Company’s shares for only 30 days after each period of ban. The brokerage firms were instructed to reject any transactions by the Company employees unless they had obtained the required approvals from the DFM Market Control department.

3. Formation of the Board of Directors

As per the Decree issued by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai on 22/12/2013, the board consists of the following six members:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Independent / Non Independent</th>
<th>Executive / Non Executive</th>
<th>Date of first election</th>
<th>Membership period from date of first election until</th>
</tr>
</thead>
<tbody>
<tr>
<td>*H. E. Essa Abdulfattah Kazim</td>
<td>Chairman</td>
<td>Non-independent</td>
<td>Executive</td>
<td>16/01/2007</td>
<td>9 years</td>
</tr>
<tr>
<td>Rashid Hamad Al Shamsi</td>
<td>Vice Chairman</td>
<td>Independent</td>
<td>Non-Executive</td>
<td>16/01/2007</td>
<td>9 years</td>
</tr>
<tr>
<td>Mussaibeh Mohammed Al Qaizi</td>
<td>Director</td>
<td>Independent</td>
<td>Non-Executive</td>
<td>22/12/2013</td>
<td>2 years</td>
</tr>
<tr>
<td>Ali Rashid Al Mazroei</td>
<td>Director</td>
<td>Independent</td>
<td>Non-Executive</td>
<td>21/04/2010</td>
<td>5 years and 8 months</td>
</tr>
<tr>
<td>Adil Abdullah Al Fahim</td>
<td>Director</td>
<td>Independent</td>
<td>Non-Executive</td>
<td>21/04/2010</td>
<td>5 years and 8 months</td>
</tr>
<tr>
<td>Mohammed Humaid Al Mari</td>
<td>Director</td>
<td>Independent</td>
<td>Non-Executive</td>
<td>21/04/2010</td>
<td>5 years and 8 months</td>
</tr>
</tbody>
</table>

* As per the Decree issued by H.H Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, on 22/10/2013, H.E. Essa Kazim was appointed as Chairman of DFM.

* There is no female representation in the Board of Directors, due to the fact that it was formed before SCA’s resolution. The term of the Board of Directors ends in 2017.

All the Board members are UAE citizens with the required expertise and skills as follows:

H. E. Essa Abdulfattah Kazim

H.E. Essa Kazim is Governor of the Dubai International Financial Centre (DIFC), Chairman of the Dubai Mercantile Exchange Limited, Chairman of the Dubai Financial Market (DFM), Vice Chairman of the Supreme Committee for Legislation in Dubai, and Member of the Dubai Supreme Fiscal Committee.

H.E. Kazim began his career at the UAE Central Bank as a senior analyst with the Research and Statistics Department in 1988 and moved to the Dubai Department of Economic Development as Director of Planning and Development in 1993. He was subsequently appointed as Director General of the DFM from 1999 to 2006.

H.E. Kazim holds an honorary Doctorate from Coe College, a Master’s degree in Economics from the University of Iowa, a Master’s degree in Total Quality Management from the University of Wollongong, and a Bachelor’s degree from Coe College.

H.E. Kazim currently sits on a number of official advisory committees and boards; he is a Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC), Chairman of the DIFC Authority Board of Directors, Chairman of the DIFC Investments Board of Directors, Board Member of the Dubai Economic Council, Board Member of Nasdaq Dubai, Board Member of Noor Bank, Board Member of Nasdaq, Board Member of Etisalat, and Member of the Board and Secretary General of the Dubai Islamic Economy Development Centre.

H.E. Kazim also also serves as a Board Member for a number of educational institutions, both in the region and around the world.
Rashid Hamad Al Shamsi
Mr. Rashid Hamad Al Shamsi is Vice Chairman of Dubai Financial Market since the year 2007. Mr. Al Shamsi is the founding partner of MEECON, an architectural and engineering project management consultancy, and owner of Al Shamsi Property Management Company in Dubai. He graduated from the University of South Carolina, USA, with a Bachelor’s degree in Civil Engineering in 1982 and occupies / has occupied the following positions:

• Former Member of the Board of Directors of the Emirates General Transport Corporation.
• Former Member of the Board of Directors of Gulf Navigation (PJSC).
• Member of the Board of Directors of Nasdaq Dubai.
• Mr. Al Shamsi was actively engaged in the marketing and distribution of energy related products for over 22 years.
• General Manager of Emirates General Petroleum Corporation (Emarat) from 2002 to 2008, chairing several Emarat joint ventures and subsidiary companies.
• Former member of the Board of Directors of Dubai Chamber of Commerce and Industry from 1991 to 1997.
• Former member of the Board of Directors of Dubai Mercantile Exchange.
• Former CEO of Sama Dubai, the international real estate development arm of Dubai Holding.

Mohammed Humaid Al Mari
Mr. Al Mari is a Financial and Administrative expert with more than 20 years of experience in both public and private sectors. He graduated from Mohammed Bin Rashid’s Program for Leadership Development, Government Leaders Category.

He also holds an MBA from the American University in Dubai since 2004 and a Bachelor’s degree in Accounting from the United Arab Emirates University in Al Ain since 1990. Mr. Al Mari started his professional career as an employee at the Land Department in 1986 and holds / has held the following positions since then:

• Assistant CEO for Housing Division at the Mohammed Bin Rashid Housing Establishment since August 2009.
• Founding Partner in Faris & Co. Public Accountants.
• Ex-member of Takaful Al Emarat PJSC Board of Directors.
• CFO at the Roads and Transport Authority (2006 - 2009).
• Member of the Board of Directors of the Dubai Development Board (2005 – 2008)
• CFO and CAO of the Land Department until 2005.

Mr. Al Mari has the following professional memberships:

• Certified Public Accountant since 1990.
• Member of the UAE Accountants and Auditors Association since 1997.
• Member of the Culture and Science Symposium in Dubai since its inception.
• Honored with the Sheikh Rashid Award for Educational Excellence for completing an MBA degree at the American University in Dubai.
• Holds an Institutional Leadership Certificate from the Leadership and Learning Center in Florida, USA.
• NLP practitioner certified by Richard Bandler through the McClendon & Associates Institute.
• Holds a Self-Hypnosis Practitioner Diploma from Proud Foot School of Clinical Hypnosis and Psychotherapy.

Adil Abdullah Al Fahim
Mr. Al Fahim has occupied many leadership positions in Dubai Government and obtained a number of academic and professional qualifications. He has graduated at the faculty of Commerce. A holder of the CPA (Certified Public Accountant, USA), CFE (Certified Fraud Examiner, USA), CFC (Certified Financial Consultant, Canada) and ACL (Audit Command Language) Certified Trainer Qualifications.

He is the Winner of the Financial Thought Leader MENA for the year 2012. Recipient of the IIA Lifetime Achievement Award (2013) from the Institute of Internal Auditors. He has articles discussing major economic events affecting global economic development.

He holds / has held the following positions:

• Member of the Dubai Government “Planning & Budget Development and Automation Committee”.
• Member of the Dubai Government “Financial Planning Committee”.
• Member of the Board of Directors of “Dubai Financial Market”.
• Deputy CEO for financial affairs and procurement at Dubai Airports Company.
• Director of Internal Audit at the Department of Finance, Dubai at H.H Ruler of Dubai Court.
• Deputy Director of Performance Control, Information Systems Audit and Training Department at H.H Ruler of Dubai Court.
• Director General of the UAE Accountants and Auditors Association (2000-2002)
• Member of the Board of Directors and President of the Conferences Committee in the UAE “Accountants and Auditors Associations” (2002-2004).
• President of the “American Institute of Internal Auditors” (IIA) USA - Emirates Branch (2006-2007).
• Senior Vice President, “Internationally Certified Fraud Examiner” (CFE) USA - Emirates Branch.
Mr. Ali Al Mazroei is also Member of the Board of Directors of Dubai Financial Market, National Bonds Corporation (P.S.C.), and Emirates Investment and Development (P.S.C.).

Mr. Al Mazroei holds a Bachelor in Business Administration from the American University in Dubai and Masters in Business Administration from Southern New Hampshire University, USA.

Musabbah Mohammed Al Qaizi

Mr. Musabbah Al Qaizi has over 20 years of hands-on experience, the majority of which were in the field of information technology where he supervised and directly managed several multi-tasked teams and individuals. He graduated with a Bachelor’s degree in Computer Information Systems from Arkansas University, USA, in 1991.

Mr. Al Qaizi holds / has held the following positions:

- Head of E-Banking Services and IT at Dubai Islamic Bank as well as other leadership positions such as member of the Board of Directors of the Islamic Financial Services (a subsidiary of Dubai Islamic Bank) and Member of the Automation Committee at the Dubai Islamic Bank, which plays a vital role in coordinating and aligning the bank’s comprehensive strategy with the latest IT developments.
- Mr. Al Qaizi joined Dubai Islamic Bank in 1999 as Head of the Cards Unit which he developed in two years.
- Head of Information Systems Department at the Dubai Islamic Bank between 2001 and 2008. During this period, he was able to build and support the information systems infrastructure and hence gain wide ranging hands-on experience in project management at various banking levels.
- Since 2008, based within the E-Banking Operations Unit, Mr. Al Qaizi has been developing various channels to connect customers to the bank. In recognition of the great development, which he achieved in this field, his project was named Project of the Year for 2009, as well as Best Unique E-Banking System Project at Dubai Islamic Bank.

Remuneration of the Board members and allowances for attending the meetings of the Board and the Board Committees

By virtue of the provisions of Articles 33 and 67 of the Company’s Articles of Association, and in compliance with Article 118 of the Commercial Companies Law No. 8 of 1984 and its amendments, and Article 7 of the Ministerial Resolution No. 518, the Board of Directors’ remuneration is equal to 10% of the net profit of the DFM Company after the deduction of costs, expenses, and statutory legal reserve as well as distribution of dividends equal to 5% of the Company’s capital, subject to the approval of the Ordinary General Assembly. In its meeting on 08/01/2011, the Board of Directors set a remuneration of AED 300,000 per member after obtaining the shareholders’ approval during the General Assembly.

During its meeting held on 26/2/2012, the Board has approved the recommendation submitted by the Nomination & Remuneration Committee regarding the Board and Committee meetings’ attendance allowance. The approved allowance is AED 15,000 for Board meetings and AED 6,000 for Committee meetings’ attendance in person and AED 2,000 for attending meetings via conference call or video conference.

Furthermore, the Board, in the meeting held on 11/12/2014 and based on recommendations of the Nomination & Remuneration committee in its meeting dated 11/11/2014, approved monthly allowances of AED 25,000 for the Chairman for the additional tasks assigned to him.
A total amount of AED 663,000 was disbursed in 2015 for attendance allowances, as follows:

<table>
<thead>
<tr>
<th>Meeting Type</th>
<th>BOD</th>
<th>Audit Committee</th>
<th>Nomination &amp; Remuneration Committee</th>
<th>Investment Committee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. E. Essa Abdulfattah Kazim</td>
<td>90,000</td>
<td>-</td>
<td>-</td>
<td>18,000</td>
<td>108,000</td>
</tr>
<tr>
<td>Rashid Hamad Al Shamsi</td>
<td>90,000</td>
<td>-</td>
<td>12,000</td>
<td>18,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Mohammed Humaid Al Mari</td>
<td>90,000</td>
<td>30,000</td>
<td>-</td>
<td>-</td>
<td>120,000</td>
</tr>
<tr>
<td>Mussabeh Mohammed Al Qaizi</td>
<td>60,000</td>
<td>-</td>
<td>-</td>
<td>18,000</td>
<td>78,000</td>
</tr>
<tr>
<td>Ali Rashid Al Mazroie</td>
<td>90,000</td>
<td>24,000</td>
<td>12,000</td>
<td>-</td>
<td>126,000</td>
</tr>
<tr>
<td>Adil Abdullah Al Fahim</td>
<td>75,000</td>
<td>24,000</td>
<td>12,000</td>
<td>-</td>
<td>111,000</td>
</tr>
</tbody>
</table>

The total amount of the Chairman’s monthly allowances is AED 300,000.

Also, a remuneration of AED 300,000 was disbursed to each member of the Board for the year 2014. This was approved by the General Assembly which convened on 09/03/2015. The same will be disbursed for 2015 after obtaining approval in the AGM that will be held in 2016.

Meetings of the Board of Directors during the Fiscal Year
The Board of Directors of DFM held 6 meetings during 2015 as follows:

<table>
<thead>
<tr>
<th>Personal Attendance</th>
<th>Date of the Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. E. Essa Abdulfattah Kazim</td>
<td>✔</td>
</tr>
<tr>
<td>Rashid Hamad Al Shamsi</td>
<td>✔</td>
</tr>
<tr>
<td>Mohammed Humaid Al Mari</td>
<td>✔</td>
</tr>
<tr>
<td>*Mussabeh Mohammed Al Qaizi</td>
<td>✔</td>
</tr>
<tr>
<td>Ali Rashid Al Mazroie</td>
<td>✔</td>
</tr>
<tr>
<td>*Adil Abdullah Al Fahim</td>
<td>✔</td>
</tr>
</tbody>
</table>

* The member was absent from the meeting with a valid reason.

Duties and Functions Assigned by the Board of Directors to the Executive Management
As per the authorities approved by the Board of Directors on 11/12/2014, the Executive Management was assigned the following duties and functions:

- The CEO was authorized to represent the Company before the courts. His signature was authenticated by the notary public to sign agreements on behalf of the Chairman of the Board of Directors to facilitate the Company’s business.
- Prepare feasibility studies in relation to the Company’s projects.
- Develop internal policies and bylaws to regulate the work.
- Approve work procedures, administrative circulars and decisions governing the work environment.
- Form, change and dissolve executive committees.
- Approve the direct order purchasing authority up to AED 50,000 for the Head of Purchasing and Contracting, up to AED 250,000 for the Head of Corporate Services and up to AED 500,000 for the CEO.
- Approve the authority of the CEO to contract through tendering up to AED 1 million.
- Approve the authority of the CEO to contract through limited or public CEO bidding up to AED 5 million.
- It is the authority of the Head of Corporate Services to sign approved contracts up to AED 5 million in value and the authority of the CEO to sign approved contracts up to AED 50 million.
- The CEO and the head of the concerned sector have the authority to sign memorandums of understanding, limited representation agreements and sub-deposit agreements.
- The CEO has the authority to rent the market spaces and determine the rent value.
- The CEO approves the results of the annual fixed asset count.
- The decision to dispose of fully depreciated (retired) assets is taken by the CEO.
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- It is the authority of the CEO to determine the service fees and penalties, and to update the list of fees according to the market data.
- The head of the concerned sector has the authority to impose penalties/fines.
- The Head of Corporate Services in conjunction with the head of the concerned sector have the authority to cancel the first violation, and the authority of the CEO to cancel the second violation.
- The Head of Corporate Services is authorized to write off receivables up to AED 20,000 in a year.
- The CEO is authorized to exempt investors, upon a request to be submitted by them, from the fees of services provided to them based on fixed percentage and depending on the transaction value.
- Head of CSD division authorized to exempt official and government entities from certain transaction fees.
- The CEO has the authority to invest in short-term deposits of unlimited amounts pursuant to recommendations from the Internal Investment Committee, including liquidating the deposit before its maturity.
- Invest in long-term investments (deposits) up to AED 50 million is within the CEO’s authority in accordance with the Investment Committee recommendation and investment policy.
- In the event of incomplete quorum of a Board meeting, the CEO is authorized to sign the reviewed interim financial statements after their approval by the Audit Committee.
- The authority to sign cheques and bank transfers up to AED 50 million is within the responsibility of the Executive Management.
- Renewal of bank facilities with unlimited amount is within the CEO’s authority.
- Transfer of allocated budget between different items is within the CEO’s approval.

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**DFM’s Senior Executive Management team consists of five senior executive employees. The following table shows the names of the senior executive employees, their jobs, date of hire, and the total salary and bonuses they received.**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Date of Appointment</th>
<th>Gross salaries and allowances paid in 2015 (AED)</th>
<th>Retirement &amp; Social Security Contributions (AED)</th>
<th>Total Bonuses paid in 2015 (AED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hassan Abdul Rahman Al Serkal</td>
<td>Executive Vice President – COO Head of Operations Division</td>
<td>01/06/1999</td>
<td>1,234,467.00</td>
<td>149,896.80</td>
<td>279,648</td>
</tr>
<tr>
<td>Maryam Mohammed Fikri</td>
<td>Executive Vice President – COO Head of Clearing, Settlement and Depository Division</td>
<td>01/06/1999</td>
<td>1,183,457.00</td>
<td>149,896.80</td>
<td>279,648</td>
</tr>
<tr>
<td>Ahmad Mohammed Al Jaziri</td>
<td>Executive Vice President - Head of Corporate Services Division</td>
<td>01/06/1999</td>
<td>1,026,720.00</td>
<td>136,278.00</td>
<td>249,180</td>
</tr>
<tr>
<td>Jamal Ibrahim Al Khadhar</td>
<td>Executive Vice President - Head of Human Resources and Strategic Planning Division</td>
<td>01/06/1999</td>
<td>1,103,520.00</td>
<td>136,278.00</td>
<td>249,180</td>
</tr>
<tr>
<td>Fahima Abdul Razzaq Al Bastaki</td>
<td>Executive Vice President - Head of Business Development Division</td>
<td>22/05/2004</td>
<td>1,080,120.00</td>
<td>126,738.00</td>
<td>233,280</td>
</tr>
</tbody>
</table>
Related party transactions
Related parties comprise companies under common ownership or management, key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. Key management personnel include the CEO and heads of various divisions. During the year, the Group entered into transactions with related parties in the ordinary course of business. These transactions were carried out at market rates. The transactions with related parties and balances arising from these transactions are as follows:

Transactions during the year

<table>
<thead>
<tr>
<th>Transactions during the year</th>
<th>2015 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellow Subsidiaries</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>13,410</td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,061</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>6,002</td>
</tr>
<tr>
<td>Pledge Fees</td>
<td>7,280</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>18,675</td>
</tr>
<tr>
<td>Rent, Dubai World Trade Center</td>
<td>9,493</td>
</tr>
</tbody>
</table>

The remuneration of directors and other members of key management during the period were as follows:

<table>
<thead>
<tr>
<th>Compensation of key management personnel</th>
<th>2015 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and short-term benefits</td>
<td>9,618</td>
</tr>
<tr>
<td>General pension and social security</td>
<td>912</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Remuneration to the Nasdaq Board</td>
<td>1,025</td>
</tr>
<tr>
<td>- Meeting allowance for the Group</td>
<td>1,359</td>
</tr>
<tr>
<td>DFM Board remuneration</td>
<td>1,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Due from related parties</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent</td>
<td>-</td>
</tr>
<tr>
<td>Investment deposits (Note 7)</td>
<td>-</td>
</tr>
<tr>
<td>Accrued income on investment deposits</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other related parties</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed funds (Note 6)</td>
<td>240,398</td>
</tr>
<tr>
<td>Other Financial Assets (Note 6)</td>
<td>194,607</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>164,894</td>
</tr>
<tr>
<td>Investment deposits (Note 7)</td>
<td>1,272,200</td>
</tr>
</tbody>
</table>

Investment deposits include AED 100 million (31 December 2014: AED 100 million) placed as collateral with related parties.

4. The External Auditor

PricewaterhouseCoopers is one of the major firms operating in the field of professional services. It consists of a network of companies operating in 158 countries, and employing more than 180,000 employees dedicated to providing audit, taxation and consulting services. The company was established in the Middle East more than forty years ago. It has offices in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, United Arab Emirates and Yemen, with more than 2,500 employees. The company has been operating in the United Arab Emirates for more than 30 years through its offices in Abu Dhabi, Dubai and Sharjah, which collectively have more than 700 partners, executive directors and employees.
Fees and costs of the audits and other services provided by the external auditor

Based on the recommendations of the Audit Committee during its meeting held on 24/2/2015 regarding having an internal policy on rotating the external auditor every 3 years, the Board’s approval of the Audit Committee’s recommendations and the shareholders’ approval during the Ordinary General Assembly held on 09/03/2015, PricewaterhouseCoopers was reappointed as auditor for the year 2015 for fees of AED 183,500. PwC was the auditor since 2012. No other external auditors were appointed for any services during 2015. Moreover, PricewaterhouseCoopers was appointed as an external auditor for Borse Dubai (DFM’s parent company) for fees of AED 120,000 and for Nasdaq Dubai for fees of AED 125,000 for the year 2015.

5. The Audit Committee

The Audit Committee was reformed in accordance with the Board of Directors’ decision during its meetings held on 16/3/2014. The Audit Committee consists of the following members:

- Mohammad Humaid Al Mari - Chairman
- Ali Rashid Al Mazroei - Member
- Adil Abdullah Al Fahim - Member

All the committee members are non-executive and independent as well as accounting and financial experts. In compliance with the Ministerial Resolution No. 518 of 2009 and pursuant to its mandated duties, the Audit Committee was assigned the following duties:

1. Implementing the policy related to contracting with an external auditor, monitoring their independence and discussing the nature and scope of the auditing process and reviewing the communications and action plan of the external auditor on 24/2/2015 and ensuring that the Finance Department and executive departments respond to the external auditor inquiries and requirements.

2. Monitoring the soundness of the company financial statements and reports (annual, semi-annual and quarterly) and reviewing them as part of its regular work during the year, with particular focus on the following:

   - Highlighting items subject to Board assessment.
   - Significant adjustments resulting from the audit.
   - The assumption of going concern.
   - Complying with the accounting standards decided by the Authority.
   - Complying with the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.

3. Meeting with the external auditor on a quarterly basis to discuss the quarterly and annual financial statements as well as the report submitted to the Senior Management.

4. Reviewing the Company’s financial control, internal control and risk management systems as well as efficiency of Internal Control Department, appointing required resources and approving internal audit plan prepared on the basis of risk approach related to each division / department of DFM and Nasdaq Dubai on 20/4/2015 and followed up on the plan progress on a quarterly basis.

5. Reviewing and enhancing the Company’s financial and accounting policies and procedures and operating risks procedures.

6. Coordinating with the Company’s Board of Directors and Executive Management, and discuss the reports of the Internal Control and Financial Control Department and follow up on the corrective actions on a quarterly basis.

7. Setting guidelines which enable the Company’s employees to confidentially report any possible violations in the financial reports, internal control or other issues, as well as the steps which allow the independent and fair investigation of such violations. The staff appointed for this purpose can be reached by email: whistleblower@dfm.ae, telephone: +971 4 305 5665 or fax: +971 4 305 5584, or through the HR portal.

8. Monitoring the Company’s compliance with the standards of professional behaviour.

9. Approving Teammate program for automating the Internal Audit work.

The Audit Committee held five meetings in 2015. The following table highlights the date of each meeting and the personal attendance:

<table>
<thead>
<tr>
<th>Personal Attendance</th>
<th>Date of the Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25/1/2015</td>
</tr>
<tr>
<td>Mohammed Humaid Al Mari</td>
<td>✓</td>
</tr>
<tr>
<td>*Adil Abdullah Al Fahim</td>
<td>✓</td>
</tr>
<tr>
<td>*Ali Rashid Al Mazroei</td>
<td>✓</td>
</tr>
</tbody>
</table>

*The member was absent from the meeting with a valid reason.
6. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee was reformed by virtue of the Board's decision taken during its meetings held on 16/3/2014. It consists of the following non-executive and independent directors:

- Rashid Hamad Al Shamsi - Chairman
- Adil Abdullah Al Fahim - Member
- Ali Rashid Al Mazroei - Member

By virtue of Ministerial Resolution No. 518 and as per its duties, the Committee performed the following tasks:

1. Verified the independence of the DFM Board members for the year 2015 through forms which was completed and signed by each independent member.
2. Recommendation to the Board of Directors to approve the remunerations of the Board members for 2015 in the General Assembly meeting held on 09/03/2015.
4. Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the Company's performance.
5. Assessed the performance appraisal, including senior executives, and increment of the last year.

The Nomination and Remuneration Committee held two meetings during 2015 on 28/1/2015 and 9/3/2015 with full quorum.

7. The Internal Control System

a. The Board of Directors' acknowledgment of its responsibility for the Internal Control System

The Board of Directors acknowledges its responsibility for the internal control system in the Company and for reviewing it and ensuring its effectiveness through the Internal Control Department (ICD). The ICD, in turn, submits regular reports in accordance with standard No. 2060 of international standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors in the USA to the Board of Directors and Executive Management on the objectives, authorities and responsibilities of the internal audit activity, as well as the achievements against the approved plan. The ICD also evaluates how adequate and effective are the internal control systems within the company and its subsidiaries.

b. Work Mechanism of the Internal Control Department

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

- Preparing the department's Balanced Scorecard in conformity with the Company's strategic plan.
- Performing the required updates for the internal audit manual and charter to be consistent with the latest international standards as approved by the Audit Committee. In addition to creating workflow for the audit manual for simplicity of operation.
- 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 and Board of Directors.
- At the end of each audit, preparing an audit report for every audited department whereby the objectives, scope, methodology and findings of the audit are presented. 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.
- Submitting to DFM and Nasdaq Dubai Audit Committees all the internal control and follow up reports as well as the executive measures taken by the concerned department to enhance its internal control during the year. This enables the Audit Committees to assess the internal control of their respective companies and raise the necessary recommendations and decisions to the Board of Directors.
- 91% of the endorsed audit plan was implemented including financial audits, Shari'a audits, compliance with the rules, regulations and policies, and work procedures, as well as information security and risks.
- The ICD submitted a number of recommendations that have been agreed upon with the different audited sectors during 2015, whether at DFM or Nasdaq Dubai. Such recommendations helped in strengthening the internal control environment and minimized the risks in line with the internal audit objective of adding value to the company and its shareholders by improving the effectiveness and efficiency of corporate governance, risk management and control in the company.
- The ICD followed up on the implementation of corrective actions according to the reports issued by the internal and external auditors.
- The ICD prepared quality reports on assurances during the year to ensure the efficiency of the completed audit assignments and...
the availability of permanent and temporary files for each assignment in line with international best practices.

- Coordinating with the external auditor, Financial Audit Department, quality auditors, as well as SCA inspectors.
- 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 for the year 2015 in light of the provisions of the Ministerial Resolution No. 518 circulated by the SCA.
- Automating the work of ICD through Teammate application that contributes to enhancing efficiency and effectiveness by saving time and efforts in all stages of the audit process, from risk assessment to issuing the audit reports and the follow up of the implementation of the submitted recommendations through the following:
  - Following a standard approach of risk assessment according to the international best practices, so as to develop an audit plan focused on risks. This allows the ICD to give priority to covering departments with the highest risks and accordingly achieve efficient management of time and efforts.
  - The presence of a dashboard helps ICD manager in the efficient management of the available human resources, by charging members of the work team with tasks according to the skills and capabilities of each of them, as well as monitor the best usage of the available time, taking into consideration the holidays and annual vacations of each employee.
  - Using Electronic Work Papers “EWP” helps in enhancing symmetry as regards to establishing audit tasks and keeping documented evidence. It also helps the ICD manager in reviewing all audit work performed by each person remotely, without having to be present in the same place.
  - EWP also allows for indexing the audit procedures so as to link these procedures to the remarks resulting from the audit, together with the audit evidence that was kept to support these remarks.
  - Facilitates ease and speed of developing audit reports, as well as unifying the form and organization of the outgoing reports. The program also helps to issue additional reports in the form of graphs or tables as needed.
  - Storing all documents pertaining to the completed tasks, in order to make use of them when performing similar tasks in the future.
  - Supporting the audit team and relevant department in the follow up of implementing the recommendations and issuing reports as needed, that indicate to what extent these recommendations were being followed.
  - Follow up of the execution of the audit plan and recognizing the percentage of implementation.

The Internal Control Department comprises five qualified employees as follows:

**Name:** Asma Saeed Lootah  
**Job Title:** Vice President - Secretary of the Board of Directors  
**Head of the Internal Control Department & Compliance Officer**

**Qualifications:**
- Certified Management Accountant (CMA) - February 2008.
- Higher Diploma in Accounting from the Higher Colleges of Technology - Dubai Women’s College - 2000.
- Member of the advisory board of the Business Administration College, RIT Dubai.
- RIT Dubai Alumni President Chapter since March 2014.
- Member of the AAA.
- Member of the ICSA Gulf Forum.

The Internal Control Department is supported by a qualified team consisting of the following staff members:

- **Reda Farouq Shehata:** Manager - Internal and Shari’a Section / Internal Control, holder of CIB 2013, CRMA and CFC 2012, Higher Diploma in Financial Accounting from Ain Shams University - 2003, and a Bachelor’s degree in Accounting from Ain Shams University - 1995.
- **Mohammad Ahmed Assaleh:** Deputy Manager - Compliance Section / Internal Control, holds an ACCA certificate - 2009, CRMA - 2012 and a Bachelor’s degree in Accounting from Yarmouk University - 2003.
- **Ahmed Rajab Moeti:** Deputy Manager – Compliance Section / Internal Control. Holds an ACCA certificate - 2011 and B. A. of Arts from Menoufeya University, 2000.
- **Farah Hani Al Ananni:** Senior Auditor / Internal Control, holder of CPA -2010 and a Bachelor’s degree in Accounting from Jordanian University – 2007.

Handling any major problems in the Company or those disclosed in the annual reports and accounts

The Company was not subject to any significant risks during 2015; however, and pursuant to the ICD work guide, the Department deals with any problems the Company may face through the following process:
• Determine the nature of the problem and classify it in terms of level of risk through determining the size of the problem and its negative consequences that may affect the Company.
• Communicate with the respective departments through the heads of various divisions and the CEO to discuss the remedy and solution for the problem and make the necessary recommendations.
• Report the matter along with the related recommendations to the Audit Committee, which in turn, after discussion and assessment of the situation, forwards the matter to the Board of Directors to inform it about the problem and take the appropriate decision thereon.
• The Department follows up the implementation of the approved solution.
• Communicate with the external auditor of the company, if required.

8. Since its inception and through 2015, the Company has not committed any violations.

9. DFM’s Corporate Social Responsibility in 2015

• Developing a qualification program for citizens to work in the field of investors’ relations.
• Participating in Dubai Employment Fair 2015.
• Donating used equipment to the UAE Red Crescent and Mohamed Bin Rashid Establishment for Charity.
• Supporting the Rashid Center for the Disabled with an advertisement page on 08/01/2015.
• Organizing the campaign of more power – more giving for the Dubai Autism Center 26/01/2015.
• Organizing a donation campaign with the Dubai Charity Association on 15/2/2015.
• Organizing “Tarahamo” event for the Levant with the Dubai Charity Association in February 2015.
• Organizing the 13th session of the DFM Student Stock Game in April, 2015.
• Sponsoring the Dubai International Holy Qur’an Award Ceremony in July, 2015.
• Organizing the DFM Summer Stock Game for summer trainee students held at DFM in August, 2015.
• Organizing an Education Day in November, 2015.
• Organizing the National Day and Martyr Day events on 30/11/2015.
• Providing free lectures: regularly organizing and preparing free technical and financial workshops for students.
10. General Information

a. The Company’s (highest and lowest) share price at the end of each month of the financial year 2015.

<table>
<thead>
<tr>
<th>Month</th>
<th>Highest price during the month (AED)</th>
<th>Lowest price during the month (AED)</th>
<th>Closing price at the end of the month (AED)</th>
<th>Market Index (Index Figure)</th>
<th>Sector Index (Index Figure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>2.17</td>
<td>1.67</td>
<td>1.9</td>
<td>3674.4</td>
<td>3605.47</td>
</tr>
<tr>
<td>February</td>
<td>2.16</td>
<td>1.95</td>
<td>1.97</td>
<td>3854.67</td>
<td>3970.04</td>
</tr>
<tr>
<td>March</td>
<td>2</td>
<td>1.42</td>
<td>1.51</td>
<td>3514.4</td>
<td>3580.32</td>
</tr>
<tr>
<td>April</td>
<td>2.24</td>
<td>1.49</td>
<td>2.19</td>
<td>4229.04</td>
<td>5002.17</td>
</tr>
<tr>
<td>May</td>
<td>2.22</td>
<td>1.81</td>
<td>1.81</td>
<td>3923.24</td>
<td>4349.36</td>
</tr>
<tr>
<td>June</td>
<td>2.19</td>
<td>1.81</td>
<td>1.96</td>
<td>4096.83</td>
<td>4603.64</td>
</tr>
<tr>
<td>July</td>
<td>2.04</td>
<td>1.88</td>
<td>1.93</td>
<td>4143.21</td>
<td>4614.66</td>
</tr>
<tr>
<td>August</td>
<td>1.97</td>
<td>1.4</td>
<td>1.72</td>
<td>3662.56</td>
<td>3902.48</td>
</tr>
<tr>
<td>September</td>
<td>1.73</td>
<td>1.6</td>
<td>1.68</td>
<td>3593.28</td>
<td>3795.84</td>
</tr>
<tr>
<td>October</td>
<td>1.77</td>
<td>1.42</td>
<td>1.43</td>
<td>3503.75</td>
<td>3529.29</td>
</tr>
<tr>
<td>November</td>
<td>1.46</td>
<td>1.05</td>
<td>1.19</td>
<td>3204.28</td>
<td>3120.51</td>
</tr>
<tr>
<td>December</td>
<td>1.27</td>
<td>1.05</td>
<td>1.23</td>
<td>3151</td>
<td>3129.24</td>
</tr>
</tbody>
</table>

b. Company’s Share Price compared to the Market Index

c. Company’s Share Price compared to the Financial Sector Index
d. Distribution of shareholders’ ownership according to the trading activities on 31/12/2015 and settlement thereof on 03/01/2016 (individuals, companies, governments) classified as follows: Local, Gulf, Arabic, Foreign

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Nationality</th>
<th>Shares</th>
<th>Ownership %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Company</td>
<td>Arabic</td>
<td>7,720,706</td>
<td>0.0965</td>
</tr>
<tr>
<td>2</td>
<td>Company</td>
<td>Gulf</td>
<td>44,257,654</td>
<td>0.5532</td>
</tr>
<tr>
<td>3</td>
<td>Company</td>
<td>Foreign</td>
<td>327,122,884</td>
<td>4.0891</td>
</tr>
<tr>
<td>4</td>
<td>Company</td>
<td>Local</td>
<td>6,758,326,698</td>
<td>84.4791</td>
</tr>
<tr>
<td>5</td>
<td>Government</td>
<td>Local</td>
<td>360,000</td>
<td>0.0045</td>
</tr>
<tr>
<td>6</td>
<td>Government</td>
<td>Foreign</td>
<td>1,172,060</td>
<td>0.0147</td>
</tr>
<tr>
<td>7</td>
<td>Individual</td>
<td>Arabic</td>
<td>129,933,627</td>
<td>1.6242</td>
</tr>
<tr>
<td>8</td>
<td>Individual</td>
<td>Gulf</td>
<td>48,805,187</td>
<td>0.6101</td>
</tr>
<tr>
<td>9</td>
<td>Individual</td>
<td>Foreign</td>
<td>106,056,956</td>
<td>1.3257</td>
</tr>
<tr>
<td>10</td>
<td>Individual</td>
<td>Local</td>
<td>576,242,219</td>
<td>7.2031</td>
</tr>
</tbody>
</table>

e. Borse Dubai owns 6,370,000,000 DFM shares, accounting for 79.625% of the Company’s shares.
Distribution of shareholders according to the ownership percentage as of 31/12/2015 as per the following table:

<table>
<thead>
<tr>
<th>No.</th>
<th>Share Ownership</th>
<th>No. of Shareholders</th>
<th>No. of Owned Shares</th>
<th>Percentage of Owned Shares of Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than 50,000</td>
<td>25,934</td>
<td>147,319,324</td>
<td>1.4804</td>
</tr>
<tr>
<td>2</td>
<td>From 50,000 to less than 500,000</td>
<td>2,036</td>
<td>290,495,779</td>
<td>3.6455</td>
</tr>
<tr>
<td>3</td>
<td>From 500,000 to less than 5,000,000</td>
<td>377</td>
<td>498,261,584</td>
<td>6.2317</td>
</tr>
<tr>
<td>4</td>
<td>More than 5,000,000</td>
<td>60</td>
<td>7,063,923,313</td>
<td>88.2992</td>
</tr>
</tbody>
</table>

f. No events that can be described as material occurred in the Company during 2015.

H.E. Essa Abdulfattah Kazim
Chairman
4/2/2016