



**CORPORATE
GOVERNANCE
REPORT FOR 2014**



حيث ملتقى السيولة
Connecting Liquidity



Dubai Financial Market (PJSC)

Corporate Governance Report for 2014



Corporate Governance Report for 2014

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 endeavored 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 meeting calendar.
- The Board members have complied with the annual disclosure of their independence during 2014, 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 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 one meeting, and one meeting 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 already complied with the requirement to appoint an Investor Relations Officer and launched an investor relations website for the purpose.
- The Board reviewed and approved the authority matrix of the Executive Management.
- The Board reviewed the Governance Manual and adopted new risk management policies and procedures for operations and private listing and trading rules on 11/12/2014, market making rules on 23/4/2013, updates on investment policy on 27/10/2010, human resources on 11/12/2014 and other policies during the year.
- Launched a board satisfaction online survey that evaluates how the board functions. The survey is developed by an independent company and covers issues like preparation for meeting, agenda, material of discussion, running the meeting, minutes of the meeting, follow up on resolutions, board committees, awareness, communication and interaction with executive management, board secretary role, board web portal, learning and development. Results demonstrated that 93% of the board members are satisfied with the board performance. Such results are to be discussed in the board meeting.

2. Trading in the Company's Shares by Board Members and their First-degree Relatives during 2014

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 2015, none of the board members, neither their first-degree relatives conducted trading on DFM 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.

Corporate Governance Report for 2014

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 HH Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister of Dubai on 22/12/2013, the board consist of the following members:

Name	Title	Independent / Non Independent	Executive / Non Executive	Date of first election	Membership period from date of first election until 31/12/2014
*H. E. Essa Abdulfattah Kazim	Chairman	Non-Independent	Executive	16/01/2007	8 years
Rashid Hamad Al Shamsi	Vice Chairman	Independent	Non-Executive	16/01/2007	8 years
Mussabeh Mohammed Al Qaizi	Director	Independent	Non-Executive	22/12/2013	1 year
Ali Rashid Al Mazroei	Director	Independent	Non-Executive	21/04/2010	4 years and 8 months
Adil Abdullah Al Fahim	Director	Independent	Non-Executive	21/04/2010	4 years and 8 months
Mohammed Humaid Al Mari	Director	Independent	Non-Executive	21/04/2010	4 years and 8 months

*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 has been appointed as Chairman of DFM.

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 Financial Market (DFM) and Member of the Dubai Supreme Fiscal Committee.

H.E. Kazim began his career at the UAE Central Bank 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.

Essa Kazim 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 Finance and Support Services at the Mohammed Bin Rashid Housing Establishment since August 2009.
- Founding Partner in Faris & Co. Public Accountants since 1995.
- Member of Takaful Al Emarat PJSC Board of Directors since April 2012.
- CFO at the Roads and Transport Authority from June 2006 to August 2009.
- Assistant General Manager of the Dubai Transport Authority from March 2005 to June 2006.
- Member of the Board of Directors of the Dubai Development Board from December 2005 to April 2008.
- CFO and CAO of the Land Department from November 2000 to March 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 at the Ain Shams University in Cairo. 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.
- Member and Secretary of the UAE "Auditors' Registration Committee".

Corporate Governance Report for 2014

- UAE Representative of the AGCC “E-Commerce Committee”.
- Financial Expert & Arbitrator at Dubai Courts.

He also has the following

Professional memberships:

- Certified Public Accountant (CPA).
- Certified Fraud Examiner (CFE).
- Certified Financial Consultant (CFC) - Canada.
- Certified Audit Command Language (ACL) Trainer – Belgium
- Founding member of the UAE Accountants and Auditors Association.
- Member of the Judges Assistant Category in the Experts list of technical consultants adopted by Dubai Courts.
- Information Systems Audit and Control Association (USA).
- Institute of Internal Audit (USA).
- American Society for Quality (USA).
- Association of Financial Professionals in Hospitality and Technology Affairs for the Hotel Sector.
- The Canadian Association of Financial Consultants.

Ali Rashid Al Mazroei

Mr. Ali Al Mazroei is the Director & Group CFO of Bahri & Mazroei Trading Company. The group was established in 1968 in Dubai as general investments group and is currently one of the effective leading groups in the UAE. Mr. Al Mazroei undertakes administrative and financial affairs of the company's activities in Commerce, Real Estate, Manufacturing, and Tourism & Travel.

From 2000 to 2007, Mr. Al Mazroei held various functional and administrative positions at CitiBank Group in Dubai, as a Resident Vice President in the Financial Control Unit in Citibank, he headed the Planning & Analysis Dept for Middle East, Turkey, & Africa as well as Director of the SME Department.

Mr. 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.
- Managed the Dubai Ports Authority IT Department as Support Supervisor and subsequently as Head of the IT Department. Throughout his seven years of working at Dubai Ports World, he gained extensive hands-on experience and knowledge from dealing with the various functional departments thereof.
- 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 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.

The Board is proposing a total of AED 1,800,000 remuneration for the year 2014. (300,000 per director). A total amount of AED 663,000 was disbursed for attendance allowances, as follows:



Meeting Type	BOD	Audit Committee	Nomination & Remuneration Committee	Investment Committee	Total
H. E. Essa Abdulfattah Kazim	90,000			6,000	96,000
Rashid Hamad Al Shamsi	90,000		6,000	6,000	102,000
*Abdul Jalil Yousuf Darwish	15,000				15,000
Mohammed Humaid Al Mari	90,000	30,000			120,000
*Mussabeh Mohammed Al Qaizi	75,000				75,000
*Majid Saif Al Ghurair	15,000				15,000
Ali Rashid Al Mazroei	90,000	24,000	6,000		120,000
Adil Abdullah Al Fahim	90,000	24,000	6,000		120,000

*Before the decree.

The total amount of the chairman monthly allowances is AED 300,000.

Meetings of the Board of Directors during the Fiscal Year

The Board of Directors held 6 meetings during 2014 as follows:

Personal Attendance	Date of the Meeting					
	30/1/2014	16/3/2014	23/4/2014	17/7/2014	27/10/2014	11/12/2014
H. E. Essa Abdulfattah Kazim	✓	✓	✓	✓	✓	✓
Rashid Hamad Al Shamsi	✓	✓	✓	✓	✓	✓
*Abdul Jalil Yousuf Darwish	✓					
Mohammed Humaid Al Mari	✓	✓	✓	✓	✓	✓
*Mussabeh Mohammed Al Qaizi		✓	✓	✓	✓	✓
*Majid Saif Al Ghurair	✓					
Ali Rashid Al Mazroei	✓	✓	✓	✓	✓	✓
Adil Abdullah Al Fahim	✓	✓	✓	✓	✓	✓

*Before the decree.

Duties and Functions Assigned by the Board of Directors to the Executive Management

As per the resolution of the Board, 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 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 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.
- It is the authority of the CEO to determine the service fees and

Corporate Governance Report for 2014

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 on brokerage firms.
- 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 50 million is within CEO 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 CEO authority.
- Transfer of allocated budget between different items is within CEO approval.

The Senior Executive Management of the Company consists of 5 senior management staff. The following table shows the names, positions, dates of appointment, gross salaries and allowances of the senior management staff in the Company:

Name	Position	Date of Appointment	*Gross salaries and allowances paid in 2014 (AED)	Retirement & Social Security Contributions (AED)	Total Bonuses paid in 2014 (AED)
Hassan Abdul Rahman Al Serkal	Executive Vice President – COO Head of Operations Division	01/06/1999	1,077,360	128,186	233,280
Maryam Mohammed Fikri	Executive Vice President - COO Head of Clearing, Settlement and Depository Division	01/06/1999	1,000,005	128,186	233,280
Ahmad Mohammed Al Jaziri	Senior Vice President - Head of Corporate Services Division	01/06/1999	894,440	113,082	207,840
Jamal Ibrahim Al Khadhar	Senior Vice President - Head of Human Resources and Strategic Planning Division	01/06/1999	944,105	113,082	207,840
Fahima Abdul Razzaq Al Bastaki	Senior Vice President - Head of Business Development Division	22/05/2004	925,928	108,834	201,480

*Includes education allowance, tickets, and bonus.



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 mutually agreed terms and conditions. The transactions with related parties and balances arising from these transactions are as follows:

Transactions during the year	2014 AED'000
Investment income	18,404
Interest expense	1,014

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

Compensation of key management personnel	2014 AED'000
Salaries and Short-term benefits	7,770
General pension and social security	721

Board of Directors

- Remuneration to the NASDAQ Board	943
- Meeting allowance for the Group Balances	1,339

Balances

Due from related parties

Parent

Investment deposits (Note 7)	50,452
Accrued income on investment deposits	552

Other related parties

Managed funds (Note 6)	286,776
Cash and bank balances	149,341
Investment deposits (Note 7)	1,447,092

Investment deposits include AED 100 million (31 December 2013: AED 50 million) placed as collateral with related parties.

Due to related parties

Parent

Expenses paid on behalf of the Group	5,482
Subordinated loan	23,282

Ultimate controlling party

Dubai Government	-
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In the initial public offering in 2006, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government, of which AED 48.5 million due to Dubai Government was paid during the year. The balance did not bear any profit.

The subordinated loan has been provided by Borse Dubai Ltd., to NASDAQ Dubai Limited through the Company (Note 1). The subordinated loan is unsecured, has no fixed repayment date and bears interest at 12 month LIBOR plus 3.25% per annum and is subordinated to the rights of all other creditors of the subsidiary.

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 22/1/2014, the Board's approval of the Audit Committee's recommendations during its meeting held on 30/1/2014, and the shareholders approval during the Ordinary General Assembly held on 2/3/2014, PricewaterhouseCoopers was reappointed as auditor for the year

Corporate Governance Report for 2014

2014 for fees of AED 183,500. PwC was the auditor since 2012. No other external auditors were appointed for any services during 2014.

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 130,000 for the year 2014.

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 22/1/2014 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 22/1/2014 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.
8. Monitoring the Company's compliance with the standards of professional behavior.

The Audit Committee held five meetings in 2014. The following table highlights the date of each meeting and the personal attendance:

Personal Attendance	Date of the Meeting				
	22/1/2014	20/4/2014	15/7/2014	21/10/2014	27/11/2014
Mohammed Humaid Al Mari	✓	✓	✓	✓	✓
*Adil Abdullah Al Fahim	✓	✓	✓	-	✓
*Ali Rashid Al Mazroei	✓	-	✓	✓	✓

*Due to other commitments (Justified).



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:

- Verified the independence of the DFM Board members for the year 2014 through forms which was completed and signed by each independent member.
- Endorsed Human Resources policies on 11/11/2014.
- Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the Company's performance.
- Assessed the performance appraisal and increment of the last year.
- Determined the Company's needs for competencies at the Senior Executive Management level and employee level, and determined the basis for choosing them, as well as the employee training policy on 11/11/2014.

The Nomination and Remuneration Committee held one meeting during 2014 on 11/11/2014 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.
- 88% 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 2014, 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

Corporate Governance Report for 2014

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 2014 in light of the provisions of the Ministerial Resolution No. 518 circulated by the SCA.

The Internal Control Department comprises five qualified employees as follows:

Name: Asma Saeed Lootah

Job Title: Vice President - Secretary of the Board of Directors and Head of the Internal Control Department.

Qualifications:

- Master of Finance from E. Philip Saunders College of Business, Rochester Institute of Technology - May 2011.
- Certified Management Accountant (CMA) - February 2001.
- Certified Lead Quality Auditor in ISO 9001:2000 from IRCA - May 2004.
- Bachelor degree from the Higher Colleges of Technology - Dubai Women's College - 2001.
- Higher Diploma in Accounting from the Higher Colleges of Technology - Dubai Women's College - 2000.
- RIT Dubai Alumni President Chapter since March 2014
- Member of the AAA.
- Member of the ICOSA Gulf Forum.

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

- **Reda Farouq Shehata:** Deputy 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 - 1998.
- **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.
- **Farah Hani Al Ananni:** Senior Auditor / Internal Control, holder of CPA -2010 and a Bachelor's degree in Accounting from Jordanian University – 2007.
- **Khadijah Al Mazroei:** Executive in Shari'a section, holder of Bachelor degree in finance from Al Ain University – 2012.

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 2014; 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 2014, the Company has not committed any violations.

9. DFM's Corporate Social Responsibility in 2014

- Entering into cooperation agreements with the American University in the UAE and AUD, and CBL International to enhance the students' knowledge and awareness in January.
- Launching Earth Hour Campaign in March.
- Launching Health Day for the Company's employees and business partners in May.
- Organizing the 12th session of the DFM Student Stock Game in April.
- Sponsoring Dubai International Holy Qur'an Award Ceremony in July.
- Organizing UAE Sukya initiative in July.
- Organizing the DFM Summer Stock Game for summer trainee students held at DFM in August.
- Organizing an Education Day in November.
- Launching the initiation of "Why are we one of the happiest people in the world?" in November.
- Organizing the National Day event for DFM employees and brokers in December.
- Organizing the campaign of more power – more giving.
- Providing free lectures: regularly organizing and preparing free technical and financial workshops for students.

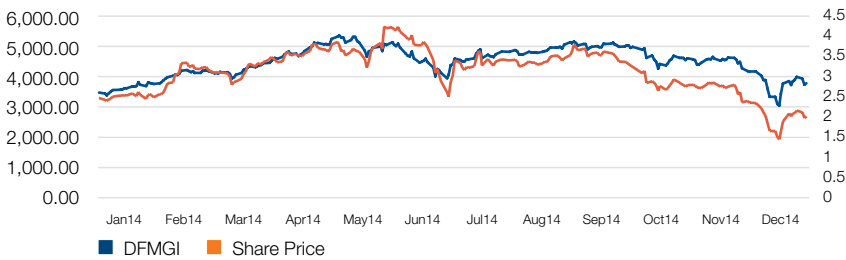


10. General Information

a. The Company's (highest and lowest) share price at the end of each month of the fiscal year 2014.

Month	Highest price during the month (AED)	Lowest price during the month (AED)	Closing price at the end of the month (AED)	Market Index (Index Figure)	Sector Index (Index Figure)
January	2.68	2.36	2.54	3770.38	4535.45
February	3.43	2.43	3.24	4220.45	5782
March	3.45	2.74	3.42	4451	6143.75
April	3.98	3.3	3.63	5058.95	6850.16
May	4.25	3.16	4.25	5087.47	6467.68
June	4.4	2.61	2.61	3942.82	4605.98
July	3.73	2.35	3.43	4833.24	6060.03
August	3.57	3.22	3.46	5062.96	6353.54
September	3.84	3.32	3.36	5042.92	6041.6
October	3.39	2.58	2.75	4545.39	5089.83
November	2.94	2.36	2.36	4281.43	4369.39
December	2.47	1.44	2.01	3774	3867.11

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



c. Company's Share Price compared to Financial Sector Index



Corporate Governance Report for 2014

d. Distribution of shareholders' ownership according to the trading activities on 31/12/2014 and settlement thereof on 05/01/2015.

No	Description	Nationality	Shares	Ownership %
1	Company	Arabic	5,357,698	0.067
2	Company	Gulf	50,227,152	0.6279
3	Company	Foreign	365,118,182	4.564
4	Company	Local	6,807,450,992	85.0932
5	Government	Local	3,579,363	0.0447
6	Government	Foreign	714,216	0.0089
7	Individual	Arabic	110,047,476	1.3756
8	Individual	Gulf	28,071,646	0.3509
9	Individual	Foreign	93,123,337	1.164
10	Individual	Local	536,309,938	6.7039

e. Borse Dubai owns 6,370,000,000 DFM shares, accounting for 79.63% of the Company's shares.

f. No events that can be described as material occurred in the Company during 2014.



Essa Abdulfattah Kazim
Chairman

2/2/2015

