



Dubai Refreshment (P.J.S.C)

Dubai on 20/02/2017

Corporate Governance Report of 2016

Since its foundation in 1959 by Emiri decree by the late His Highness Sheikh Rashid bin Saeed Al Maktoum (Ex-Ruler of Dubai), Dubai Refreshment (P.J.S.C) is based complete system of values, ethics, professional and institutional integrity, and leading practices in force. These values have enabled the Company to expand and prosper to become the leading company in the UAE in the field of bottling and distribution of carbonated soft drinks, non-carbonated drinks and drinking water. the Company is committed to the highest standards of governance where transparency, fairness, disclosure and accountability are the basis for the basis ground of the successful work and performance. In fact, Dubai Refreshment's commitment to the proper practice of governance is conforming to the laws and resolutions issued by the Securities and Commodities Authority (SCA), as follows: -



1- **Statement on the procedures taken to complete the Corporate Governance System during 2016 and method of their application: -**

In execution of the Resolution of the Chairman of Board of SCA No. (7/R.M) of 2016 regarding the standards of institutional discipline and governance of public shareholding companies, Dubai Refreshment took the following procedures: -



- amending the Company's Articles of Association to comply with the governance rules;
- appointing independent members in the Board of Directors, so that at least one third of the members are independent members and the majority of members are not executive;
- appointing an audit committee by the Board of Directors;
- appointing a remuneration and nomination committee by the Board of Directors;
- appointing internal control management and compliance officer by the Board of Directors;
- appointing investor relations officer;
- updating on a regular basis all data on the Company's website in order to provide the highest degree of transparency and proper environment for investors and shareholders to update them on the latest developments of the Company;
- disclosing the financial statements of the Company on a regular basis, in addition to the Board meetings and General Assembly meetings, and adhering to all regulations in this matter.

In addition, the Company continues to review its internal systems in order to introduce the required rules and regulations of the aforementioned Resolution in order to fully and completely abide by its provisions in addition to the provisions of the circulars on the proper rules of governance as issued by SCA .

2- **Board Members' transactions in the Company's securities during 2016: -**

A) **Work Policy:**

Dubai Refreshment has a work policy governing the Board Members' transactions in the Company's securities, where the Company's Articles of Association has been amended to limit the shareholding rate of the GCC nationals not to exceed a ratio of 49% and shareholding rate of the UAE nationals of not less than a ratio of 51% of the Company's share capital. Individuals of non-GCC and non-UAE nationals are not allowed to own any shares in the Company's capital.



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The Board Members who have transactions relating to the shares issued by Dubai Refreshment are disclosing their transactions on an annual basis and such disclosure is made in accordance with the model prepared for this purpose containing the nature of transaction, whether sale or purchase of shares, also in addition to the date of transaction, number of shares and the price. In respect of the independent Board Members who do not have any transactions relating to the shares issued by the Company, they signed an acknowledgment stating the absence of any transactions on the shares issued by the Company. During 2016, no transactions were made on the shares of the Company by any of the Board Members or their spouses or children. Employees are not entitled to receive any benefits or grants from other parties other than these provided by the Company, in order to prevent any influence on the independence and objectivity of the employees.



3- Formation of the Company's Board: -

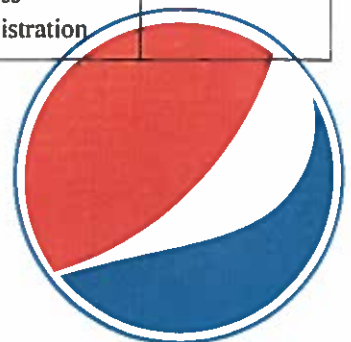
A) Formation of the Board by members' categories, information, expertise, qualifications and membership duration in the Board:

The Board of Directors of Dubai Refreshment consists of seven (7) members having expertise in the field of the Company's business in addition to expertise in the fields of accounting, finance, banking operations and business administration, as well as they have experience necessary to make wise resolutions.

The Board of Directors consists of non-executive members and independent members, taking into account the appropriate balance between the members upon the formation of the Board, so that at least one third of the members are independent members.

Name	Post	Type of Membership	Expertise	Qualifications	Period served as a Board member from the date of first election
Mr. Ahmad Bin Eisa AlSerkal	Chairman	Non-Executive / Independent	General Trading / Real Estate	Bachelor of Administrative Sciences and Business Administration	15
Mr. Ali Bin Humaid Al Owais	Vice-Chairman	Non-Executive / Independent	General Maintenance / Real Estate Management	Bachelor of Business Administration	9
Mr. Ibrahim Abdulrazzaq Ustadi	Board Member	Non-Executive / Independent	Business Administration / Financial Observer	Accounting Diploma	13
Mr. Mohamed Hadi Ahmed Abdullah Al Hussaini	Board Member	Non-Executive / Independent	Banking / Business Administration	Master in International Business Administration	7

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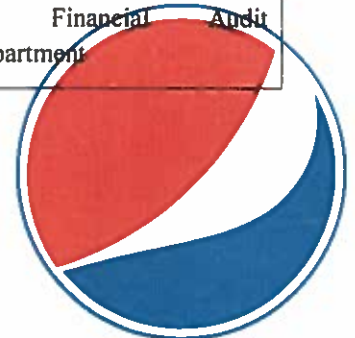


Mr. Mohamed Abdulaziz Al Owais	Board Member	Non-Executive / Independent	Financial Analysis / Business Administration	Bachelor of Communications Engineering / Financial Analyst	6	
Mr. Ayoub Mohamed Amin Kazim	Board Member	Non-Executive / Independent	Business Administration / Energy Sector	PhD in Mechanical Engineering	3	
Mr. Abdulla Mohamed Rashed Al Huraiz Al Falasi	Board Member	Non-Executive / Independent	Accounting / Business Administration	Bachelor of Accounting	3	

The membership of the Company's Board Members in the other public shareholding companies or in the important regulatory, government or commercial positions are as follow: -

Name	Membership in any other public shareholding companies	Membership in any other important regulatory, government or commercial positions
Mr. Ahmad Bin Eisa Al Serkal	<ul style="list-style-type: none"> Dubai Insurance Company (PJSC) 	None
Mr. Ali Bin Humaid Al Owais	<ul style="list-style-type: none"> United Foods Company (PJSC) - Chairman Emirates NBD - Board Member Emirates Islamic Bank - Board Member Dar Al-Takaful - Board Member 	None
Mr. Ibrahim Abdulrazzaq Ustadi	None	None
Mr. Mohamed Hadi Ahmed Abdulla Al Hussaini	<ul style="list-style-type: none"> Emaar Malls Group - Board Member Emirates NBD - Board Member Emirates Islamic Bank - Board Member Emirates Telecommunications Corporation (Etisalat) - Board Member 	<ul style="list-style-type: none"> Dubai Real Corporation - Board Member
Mr. Mohamed Abdulaziz Al Owais	<ul style="list-style-type: none"> United Foods Company (PJSC) - Vice Chairman and Managing Director 	None
Mr. Ayoub Mohamed Amin Kazim	None	None
Mr. Abdulla Mohamed Rashed Al Huraiz Al Falasi	<ul style="list-style-type: none"> Dubai Insurance Company (PJSC) - Board Member 	<ul style="list-style-type: none"> Deputy Director General of the Financial Audit Department

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According to the applicable laws and regulations, the Chief Executive Officer and the Executive Management of the Company duly carry out their functions as per the assignment of the Board and they are responsible before the Board for the execution of the Company's policies in accordance with the plans set by the latter.



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B) The current Board of Directors has been elected during the annual General Assembly meeting in 2014 by acclamation, as the number of candidates was equal to the number of Board seats. The candidates did not include any female representation and therefore the Board does not include any female representation. However, the policies and by-laws of the Company do not allow any discrimination between male and female and there are no restrictions preventing women from candidacy and holding any administrative, professional or leading positions or the Board membership in line with the national and international laws and regulations. In addition to the above, since the applicable laws and the Company's internal regulations do not state any women's quota or the like; so, the Company and the Board of Directors do not interfere in the nomination or election of members of the Board of Directors in any way, which falls only within the power of the shareholders.



C) **Statement of Remunerations:**

1. Total remunerations of the Board Members paid for 2015: AED 4,200,000;
2. Total remunerations of the Board Members proposed for 2016 that will be presented during the annual General Assembly meeting for approval: AED 4,200,000;
3. Allowances for attendance of meetings of committees emanating from the Board received by the Directors for the fiscal year 2016:



The allowances specified for the Board Members for attendance of meetings of committees emanating from the Board are amounting to AED 10,000 per meeting.



#	Name	Allowances for attendance of meetings of committees emanating from the Board		
		Name of Committee	Allowance value	Number of meetings
1	Mr. Ibrahim Abdulrazzaq Ustadi	Remuneration and Nomination Committee	10,000	1
2	Mr. Mohamed Hadi Ahmed Abdulla Al Hussaini	Audit Committee	30,000	4
3	Mr. Mohamed Abdulaziz Al Owais	Audit Committee	10,000	2
4	Mr. Ayoub Mohamed Amin Kazim	Remuneration and Nomination Committee	10,000	1
5	Mr. Abdulla Mohamed Rashed Al Huraiz Al Falasi	Audit Committee	30,000	4
6	Mr. Mohamed Hadi Ahmed Abdulla Al Hussaini	Remuneration and Nomination Committee	10,000	1





D) Board Meetings:

Board of Directors of Dubai Refreshment held 6 times during 2016 on the following dates: -

Name	15/02/2016	18/04/2016	28/06/2016	29/08/2016	17/10/2016	15/12/2016
Mr. Ahmad Bin Eisa Al Serkal		√		√	√	√
Mr. Ali Bin Humaid Al Owais	√	√	√	√	√	
Mr. Ibrahim Abdulrazzaq Ustadi	√	√	√	√	√	√
Mr. Mohamed Hadi Ahmed Abdulla Al Hussaini	√	√	√	√	√	√
Mr. Mohamed Abdulaziz Al Owais		√	√	√		√
Mr. Ayoub Mohamed Amin Kazim	√	√	√	√	√	√
Mr. Abdulla Mohamed Rashed Al Huraiz Al Falasi		√	√	√	√	√

E) Tasks and powers authorized by the Board to the Executive Management:

The Company's Chief Executive Officer Mr. Tarek El Sakka carried out the works assigned to him and achieved all targets set by the Board of Directors and ensured that all work units are managed effectively in terms of the main sources and profitability.

The main task assigned to the CEO and the Executive Management is the executions of visions, tasks, strategic plans and annual plans and the contribution to overall objective in order to improve Dubai Refreshment's visions in all its activities.

The CEO is responsible for all the Company's operations, profits and sustainable growth. As well as, the CEO supervises the preparation of the operational plans and action plan and directs the Company towards the execution of its targets.

F) Statement on details of transactions made with the stakeholders:

During 2016, there were no transactions made with the stakeholders as per the definitions and conditions stated in the SCA's regulations.

G) Company's Organizational Structure:

The Company is managed on the administrative and practical levels by the CEO, according to instructions and objectives set by the Board of Directors, with the assistance of outstanding professional team of managers – vice Presidents, and head of departments exercising their business as per the instructions of the CEO and the Board of Directors in this framework.

H) Detailed statement on the names of senior executive officers in the Company and the dates of their appointment with a statement on their total salaries and remunerations for 2016:

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Post	Date of Appointment	Total salaries and allowances paid for 2016 (AED)	Total remunerations paid for 2016 (AED)
CEO	01/08/2008	1,681,572	1,961,730
Vice President - CFO	03/01/2016	1,186,545	246,144
Vice President - Director of Operations and Factory	01/11/2001	871,512	172,774
Vice President - Sales and Marketing	01/07/2012	1,009,376	230,365
Director of HR Department	08/01/2012	650,766	90,483
Director of Project Department	26/02/2001	424,071	
Director of IT Department	03/01/2010	445,799	58,359
Director of Facilities & Administrative and Government Relations Department	10/12/2012	646,330	82,364
Director of Legal Affairs Department & Company's Secretary	08/10/2013	505,524	72,831

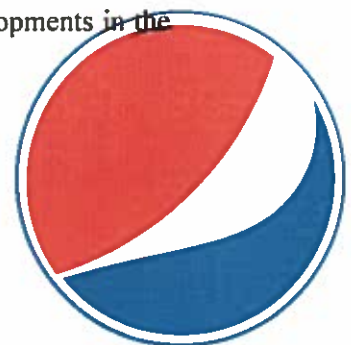


4- Fees of External Auditors:

In 2016, the General Assembly of Dubai Refreshment appointed Ernst & Young as an external auditor for the Company based on the recommendation of the Board of Directors to carry out the financial audit works, to ensure the existence of financial documents and conformity of financial statements to the payments, expenses and profits, and to ensure the conformity of all works carried out by the Finance Department of the Company to the applicable laws and the international accounting standards. The General Assembly specified the fees of the auditor in the amount of AED 243,000.

Name of Audit Firm	Ernst & Young
Number of years served as an external auditor for the Company	6 years
Total fees of auditing of financial statements for 2016 (AED)	243,000
Fees and costs of other special services other than auditing of financial statements for 2016 (AED)	There are no other services
Details and nature of other services provided	There are no other services

Ernst & Young has 210,000 employees spread over 155 countries committed to the common and fixed values through the highest levels of quality in the approach of the Company's work. Ernst & Young's activity covers Middle East and North Africa countries. Ernst & Young provide their services in this region since 1923 as they worked and still work to keep pace with all legal and commercial developments in the





region over more than 93 years. Ernst & Young work in the United Arab Emirates since 1966 as they became the largest company for professional services in the region.

It is worth mentioning that the Company did not use during 2016 the services of any third party other than the aforementioned company to provide the services of external auditing.

5- Audit Committee:

The Board of Directors of Dubai Refreshment formed an audit committee and appointed three members to assume the business of this committee:

Name	Post	Type of Membership
Mr. Abdulla Mohamed Rashed Al Huraiz Al Falasi	Committee Chairman	Non-Executive / Independent
Mr. Mohamed Hadi Ahmed Abdulla Al Hussaini	Member	Non-Executive / Independent
Mr. Mohamed Abdulaziz Al Owais	Member	Non-Executive / Independent

The main tasks of the Audit Committee are reviewing the Company's financial control and risk management system, identifying and applying the framework of contracting with the external auditor reporting to the Board of Directors specifying the matters necessary to be decided, following-up and control of the independence of the external auditor and extent of its objectivity, controlling the validity of the Company's financial statements and preliminary and annual reports, reviewing compliance with the disclosure requirements of Dubai Financial Market and the Securities and Commodities Authority, discussing the systems of internal control with the Management and ensuring that they perform their duties in establishing effective system for internal control. The Committee assists also the Board of Directors to perform its regulatory responsibilities in order to ensure the integrity of the financial results and the independence and qualifications of the independent external auditor. The Committee has the authority to access any of the Company's departments and its records and property in order to perform its responsibilities in addition to all authorities and powers according to the Resolution of the Chairman of Board of SCA No. 7/R.M of 2016.

Details of Audit Committee meetings:

Name	09/02/2016	09/05/2016	02/07/2016	02/11/2016
Mr. Abdulla Mohamed Rashed Al Huraiz Al Falasi	√	√	√	√
Mr. Mohamed Hadi Al Hussaini	√	√	√	√
Mr. Mohamed Abdulaziz Al Owais	√		√	

6- Remuneration and Nomination Committee:

The Board of Directors of Dubai Refreshment formed a remuneration and nomination committee and appointed three members to assume the business of this committee:

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Name	Post	Type of Membership
Mr. Ibrahim Abdulrazzaq Ustadi	Committee Chairman	Non-Executive / Independent
Mr. Mohamed Hadi Al Hussaini	Member	Non-Executive / Independent
Mr. Ayoub Mohamed Amin Kazim	Member	Non-Executive / Independent



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Details of Remuneration and Nomination Committee meetings:

Name	09/02/2016
Mr. Ibrahim Abdulrazzaq Ustadi	√
Mr. Mohamed Hadi Al Hussaini	√
Mr. Ayoub Mohamed Amin Kazim	√



The main tasks of the Remuneration and Nomination Committee are represented in the following: -

- ensuring the independence of the independent members on an ongoing basis;
- preparing and reviewing the policies of granting remunerations, benefits, incentives and salaries of the Company's Board of Directors and employees on an annual basis;
- ensuring that the remunerations and benefits granted to the Senior Executive Management of the Company are reasonable and consistent with the performance of the Company;
- identifying the needs of the Company from the competencies at the level of the Senior Executive Management and employees and the bases of their selection;
- preparing and controlling the application of the policy of human resources and training at the Company and reviewing the same on an annual basis;
- organizing and following up the procedures of nomination for the membership of the Board of Directors in accordance with the laws and regulations in force.

7- Committee for follow-up and supervision of transactions of aspirants:

The Company is currently forming a committee for follow-up and supervision of transactions of insiders according to the imposed rules as per the Resolution of the Chairman of Board of SCA No. 7/R.M of 2016 and SCA will be informed once this committee is formed. During the last year, the Company accomplished the memorandum and articles of association of the Company to conform to the provisions of Law No. 2 of 2015 and the SCA's resolutions in this area and the special resolution issued by the Company's General Assembly for 2016 pending the publication of the mentioned amendment in the Official Gazette recently, which led to postpone the formation of the mentioned committee beyond the completion of the final amendment.



8- Internal Control System:

- The Board of Directors of Dubai Refreshment assumes its responsibility for the internal control system in the Company and its review and effectiveness.
- The work of internal control system of the Company is mainly represented in the risk management and the application of rules of governance in a proper manner in order to ensure the conformity to



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the laws and regulations as well as the conformity to the requirements of Dubai Financial Market and the Securities and Commodities Authority.

C. Two members have been appointed to assume the business of this committee:

Name	Post
Mr. Noman Nasir	Committee Chairman
Mr. Ravi Sethia	Member



Mr. Noman Nasir is a chartered accountant having wide experience in the field of accounting.

- D. Mr. Karem Mahmoud has been appointed as a compliance officer by the Board of Directors and he is a lawyer and a member of the Bar Association in Beirut and holds in the company the post of Director of Legal.
- E. During 2016, the Internal Control Department did not find any significant problems in the Company as the daily business and administrative and practical measures taken by the Company consistent with all laws and regulations in force led to the absence of any significant problems requiring to be dealt by the Internal Control Department.



9- Irregularities committed during the fiscal year 2016 and statement of their reasons and method of treatment and avoidance of repetition in the future:



No substantial irregularities have been committed during the fiscal year 2016, as the Company was committed to all laws and regulations in force.

10- Company's contributions during 2016:



During 2016, as in all previous years, the Company performed its social duties towards the local communities in the Emirate of Dubai and Northern Emirates as it contributed to several human, social and environmental activities, believing in the value of human and the necessity of contribution to the improvement of his living and quality of his life according to the possibilities. The following are some of the activities the Company organized or contributed to their organization over 2016:



- Sponsorship of Dubai Investments Park workers' activity;
- Sponsorship of MIDAN charitable activity;
- Sponsorship of Al Nour Family activity;
- Sponsorship of Emirates Autism activity;
- Sponsorship of Dubai Ambulance Sport Day activity;
- Sponsorship of Bait Al Khair activity;
- Sponsorship of Dubai Ramadan Council - Dubai World Trade Centre activity;
- Sponsorship of Cricket Sport activity;
- Sponsorship of Ajman Health Department Marathon activity;
- Sponsorship of Awareness Against Cancer activity;
- Sponsorship of Dubai Municipality Health Walkathon activity;
- Sponsorship of Pakistan Charitable Foundation activity; and



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M. Sponsorship of Al Tair Charitable activity.

11- General Information:

A. Statement on Company's share price in the market (closing price, the highest price and the lowest price) during the fiscal year 2016 (Source: Dubai Financial Market):



Month	Highest month	Lowest month
Feb 2016	20.5	19
Mar 2016	20.5	19.9
Jun 2016	19.75	16.2
Jul 2016	19.95	15.1
Nov 2016	18	18
Dec 2016	23.2	17



Note that as per the information available through Dubai Financial Market, there are no transactions made on the Company's share during the months not appearing in the table above; i.e. in the months of January, April, May, August, September and October 2016; and accordingly, the Authorities of Dubai Financial Market did not include these months in the mentioned table.



B. Statement on compared performance of Company's share with the general market index and index of sector the Company belongs to (Source: Dubai Financial Market):



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C. Statement on distribution of shareholders' equity as on 29/12/2016 (the last trading day in the year) (individuals, companies, governments) classified as follows: local, GCC, Arab, foreign (Source: Dubai Financial Market):

Equity value	Price on 29/12/2016	Shareholding ratio out of total Company's shares	Full shares amount of Code on 29/12/2016	Number of shareholders on 29/12/2016	Amount owned on 29/12/2016	Nationality of shareholder	Description	Type	Code
40,681,548.000	23.200	1.9484	90,000,000	1	1,753,515	UAE	Bank	B	DRC
4,538,291.200	23.200	0.2174	90,000,000	5	195,616	GCC	Company	C	DRC
379,464,466.400	23.200	18.1736	90,000,000	13	16,356,227	UAE	Company	C	DRC
42,849,286.400	23.200	2.0522	90,000,000	4	1,846,952	GCC	Individual	I	DRC
52,965.600	23.200	0.0025	90,000,000	5	2,283	Other	Individual	I	DRC
1,520,467,842.400	23.200	72.8193	90,000,000	116	65,537,470	UAE	Individual	I	DRC
99,945,600.000	23.200	4.7867	90,000,000	1	4,308,000	UAE	Individual Establishment	N	DRC



D. Statement on shareholders who own 5% or more of the Company's capital (Source: Dubai Financial Market):

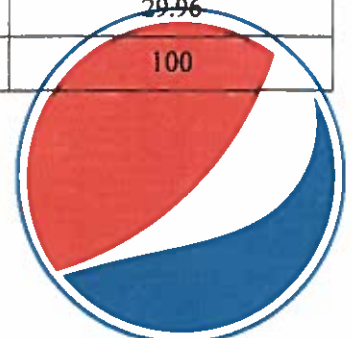
Name	Number of shares owned on 29/12/2016	Shareholding ratio out of the Company's shares
Mohamed and Obaid Al Mulla	8,963,550	9.9595
Jomaa Al Majid Abdullah Muhairi	4,785,500	5.3172
Ahmed Bin Rashid Al Maktoum	17,999,550	19.9995



E. Statement on method of distribution of shareholders according to the ownership size as on 29/12/2016 (the last trading day in the year) (Source: Dubai Financial Market):



Share ownership	Number of shareholders	Number of shares owned	Shareholding ratio owned of the Company
Less than 50,000	54	648,162	0.72
From 50,000 to less than 500,000	64	11,928,439	13.25
From 500,000 to less than 5,000,000	25	50,460,299	56.07
More than 5,000,000	2	26,963,100	29.96
Total	145	90,000,000	100



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The year 2016 witnessed a historical step for Dubai Refreshment, as the Company's headquarters had been transferred to the new factory recently established in Dubai Investments Park. The Factory is characterized by its wide built-up area as well as its latest equipment and devices. This investment will give Dubai Refreshment the preference to become one of the largest companies in bottling PepsiCo products in the GCC region. The first commercial production in the facility began in March 2016 and it is expected to become fully operational in all production lines by the first half of 2017.



Despite the fact that 2016 has seen many challenges, the Company was able to achieve reasonable financial results thanks to its wise management and strategy. The Company has faced fierce competition along with the general slowdown in the market that prevailed in the region during 2016. These challenges have been addressed through various initiatives, including cost-cutting program and effective diversification of our income sources.



Mr. Ahmad Bin Eisa AlSerkal
Chairman



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