

# CORPORATE GOVERNANCE

Agthia Group believes that good corporate governance is the foundation for strong and efficient corporate performance. The importance of this belief is further reflected in Agthia's commitment to ensure that our business operations are undertaken with the highest standards of integrity, ethics and transparency. Our Corporate Governance principles aim to continuously improve Agthia's ethical and transparent culture, while achieving sustainable growth and protecting the interests and creating value for our shareholders and stakeholders. Our Board of Directors (the Board) and management recognize the importance of corporate governance practices that help foster an environment of effective oversight and strong accountability.

Agthia Group (the Group) complies with the requirements of the 'Chairman of Authority's Board of Directors' Resolution No. 7 of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies' (Resolution 7). This report gives an overview of the Group's corporate governance systems and procedures as of December 31, 2018 and has been filed with Securities and Commodities Authority (SCA), and posted on the Abu Dhabi Exchange (ADX) website and the Group's website.

The Board is fully committed to consistently protecting the interests of all shareholders through the application of high standards of corporate governance. As an acknowledgment of our strong governance principles and structures, Capital Finance International (CFI), United Kingdom, ranked the Company as the 2018 Corporate Governance winner in the United Arab Emirates.

- Information Security Policy to underscore Agthia's commitment and support towards the management of information security at Agthia.
- Whistleblowing Policy to provide Employees a mechanism to confidentially report any violations of the Code of Business Conduct, internal policies and procedures, or applicable laws and regulations.

## DEALING IN COMPANY SECURITIES

None of the Board Members or their direct family members have traded in the Company's shares during 2018.

## THE BOARD OF DIRECTORS

The Board of Directors' role is to represent the shareholders and be accountable to them for creating and delivering sustainable value through the effective governance of the business. It is the Board's responsibility to ensure that effective management is in place to implement the Group's strategy.

The Board is the primary decision-making body for all matters that are considered to be material to the Group. The Board has a rolling agenda to ensure that the key areas remain in focus throughout the year.

## BOARD STRUCTURE AND COMPOSITION

The present Board of Directors was elected at the Annual General Meeting held on April 2017 26 for a term of three years. The Board currently has seven members, comprising an Independent Non-Executive Chairman and six Independent Non-Executive Directors.

The Group supports the inclusion and participation of women in business and believes that diversity contributes to the quality and effectiveness of governance. For the last election of the Board, the Group invited nominations from both male and female candidates; however, no nominations of female representatives were received. Hence, we do not have any female representation in our current Board.

The Board ensures, on an ongoing basis, that Directors possess the required skills, knowledge and experience necessary to fulfil their obligations. Composition of the current Board of Directors:

### BOARD OF DIRECTORS:

**HE ENG DHAFAER AYED AL AHBABI**  
Chairman  
Non-Executive, Independent  
Director since: April 2014

**Qualifications:**  
Bachelor of Science in Chemical and Petroleum Engineering

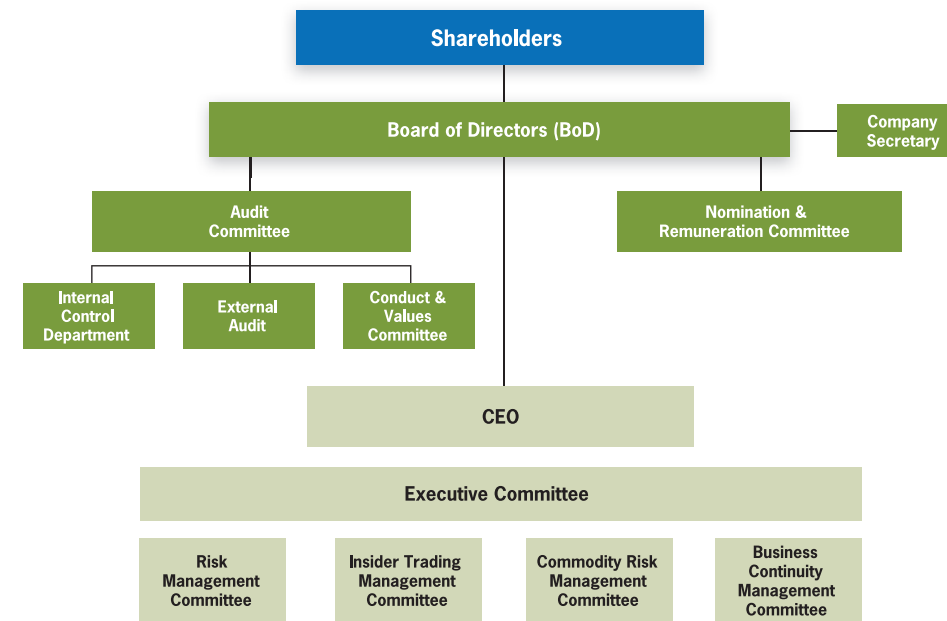
**Current Positions:**  
Advisor, Senaat General Holding Corporation  
Chairman, Al Foah  
Chairman, Industrialist Union Society, UAE  
Member of the Board of Trustees, Zayed Bin Sultan Al Nahyan Charitable and Humanitarian Foundation  
Member of the Board of Trustees, Institute of Applied Technology

**HE RASHED HAMAD AL DHAHERI**  
Vice Chairman  
Non-Executive, Independent  
Director since: April 2014

**Qualifications:**  
Bachelor of Arts (Economics) (USA)

**Current Positions:**  
Deputy Director, Indexed Funds Department, Abu Dhabi Investment Authority  
Chairman, Gulf National Forage Company LLC

## GROUP GOVERNANCE STRUCTURE



## IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

Effectively applied corporate governance guidelines are the foundation of business integrity and supports management's commitment to deliver value to shareholders through sustainable business results. The Group maintains high levels of transparency and accountability which includes adopting and monitoring appropriate corporate strategies, objectives, and procedures that comply with its legal and ethical responsibilities.

The Group's Corporate Governance Manual is approved by the Board to reflect the requirements of Resolution 7, determines the structures and processes by which the Group is controlled through its Board and the guiding governance principles followed by the Group. The manual clarifies the roles and responsibilities of all stakeholders involved in governance processes including the General Assembly of Shareholders, the Board of Directors including the Chairman of the Board and Board Committees, the Chief Executive Officer, the Executive Management, relevant Management Committees, Internal Audit, External Audit, Company Secretary and other stakeholders.

The Board has established and approved several Group policies and guidelines for achieving robust corporate governance standards. Following are the pertinent policies in this regard:

- Code of Business Conduct to guide the conduct of Directors and Employees and prevent any influence on the employees' independence and objectivity addressing matters such as conflict of interest and integrity, gifts and confidentiality.

- An appropriate delegation of authority to ensure efficient and effective decision making which balances empowerment against controls.
- Investors Relations Policy to inform Shareholders and Stakeholders of how the Group intends to keep them aware of material developments as well as to provide a framework of processes upon which Agthia can successfully implement its Investors Relations Program.
- Trading in Group Shares Policy to ensure that Directors and Employees do not make improper use of price sensitive information, gained through their positions in the Group.
- Dividend Distribution Policy to define the Group's position on appropriation of profit and declaration/distribution of dividend.
- Risk Management Policy to promote adequate and consistent risk management practices as well as a structured process for identifying, assessing, prioritizing, managing and reporting material risks across the Group.
- Business Continuity Management Policy to implement a Business Continuity Management System, compliant with international and local standards, to improve the overall business resilience of the Group.



**HE MOHAMED SAIF AL SUWAIDI**

Member  
Non-Executive, Independent  
Director since: April 2014

**Qualifications:**

Bachelor of Science in Business Administration (USA)

**Current Positions:**

Director General, Abu Dhabi Fund for Development  
Chairman, Al Ain Farms for Livestock Production  
Vice Chairman, Arab Bank for Investment and Foreign Trade  
Board Member, First Abu Dhabi Bank PJSC  
Board Member, Raysut Cement Company SAOG  
Board Member, DP World  
Board Member, Emirates Red Crescent  
Board Member, Food Security Center, Abu Dhabi  
Board Member, Al Jazira Sports and Cultural Club

**HE KHAMIS MOHAMED BUHAROO AL SHAMSI**

Member  
Non-Executive, Independent  
Director since: April 2014

**Qualifications:**

Bachelor of Arts in Accounting and Business Administration

**Current Positions:**

Vice Chairman and Acting CEO, Abu Dhabi Islamic Bank  
Chairman, Abu Dhabi National Takaful Co. PSC  
Chairman, Abu Dhabi Security LLC  
Board Member and Managing Director, Etihad Capital PJSC

**HE SALEM SULTAN AL DHAHERI**

Member  
Non-Executive, Independent  
Director since: June 2015

**Qualifications:**

Certified Public Accountant

**Current Positions:**

Deputy Director - Internal Audit, Abu Dhabi Investment Authority  
Board Member, Abu Dhabi National Energy Company PJSC (TAQA)  
Board Member, Senaat General Holding Corporation  
Board Member, Al Etihad Credit Bureau  
Board Member, Al Hilal Bank

**HE MUSALLAM OBAID AL AMERI**

Member  
Non-Executive, Independent  
Director since: April 2017

**Qualifications:**

Master of Business Administration  
Bachelor of Applied Management (USA)

**Current Positions:**

CEO, Al Foah Company LLC  
Board Member, Palm Tree Friends Society

**HE ALI MURSHED AL MARAR**

Member  
Non-Executive, Independent  
Director since: April 2017

**Qualifications:**

Bachelor of Science in Accounting

**Current Position:**

Senior Vice President of Administration, ADNOC  
Offshore  
Chairman, Taweelah Aluminium Extrusion Company (TALEX)  
Board Member, Federal Tax Authority  
Board Member, Senaat General Holding Corporation  
Board Member, Abu Dhabi National Exhibition Centre

**DIRECTORS' FEES AND REMUNERATION**

Remuneration of the Group's Board of Directors is determined in accordance with the provisions of the Group's Articles of Association. The Directors' fees is a fixed fee and is not linked to meeting attendance. Directors' fees of AED 1.4 million relating to 2017, was approved in the General Assembly held in 2018, and thereafter paid in 2018.

The Board Members have recommended and proposed Bonus of AED 263,000 for the Chairman of Board in 2018 for his extra efforts to support the Group's business, this payment is subject to shareholder approval. Total Director's fees of AED 1.663 million relating to 2018, towards Board of Directors', Audit, and Nomination & Remuneration Committee Members' fees, are to be paid in 2019, subject to shareholder approval.

Board / Board Committee Member	Board Committee Membership	Board Director's fees in AED	Number of Board meetings attended	Committee Members' fees in AED	Number of Committee meetings attended
HE Eng Dhafer Ayed Al Ahbabi – Chairman <sup>1</sup>	-	413,000	4	-	-
HE Rashed Hamad Al Dhaheeri – Vice-Chairman	Audit Committee	150,000	4	50,000	4
HE Mohamed Saif Al Suwaidi	Nomination & Remuneration Committee	150,000	4	50,000	2
HE Khamis Mohamed Buharoon Al Shamsi	Nomination & Remuneration Committee	150,000	4	50,000	2
HE Salem Sultan Al Dhaheeri	Audit Committee	150,000	4	50,000	4
HE Ali Murshed Al Marar	Nomination & Remuneration Committee	150,000	3	50,000	1
HE Musallam Obaid Al Ameri	Audit Committee	150,000	4	50,000	3
Mr. Osama Al Sheleh <sup>2</sup>	Audit Committee	-	-	50,000	4

<sup>1</sup>Chairman's allowance includes fixed remuneration of AED 150,000 and performance based bonus of AED 263,000.

<sup>2</sup>Mr. Osama Al Sheleh is a consultant on the Audit Committee with relevant financial and accounting expertise and not a Board member.

**BOARD MEETINGS**

During 2018, four Board of Directors meetings were held.

Board Member	28 - Feb	26 - Apr	25 - Oct	13 - Dec
HE Eng Dhafer Ayed Al Ahbabi – Chairman <sup>1</sup>	P	P	P	P
HE Rashed Hamad Al Dhaheeri – Vice-Chairman	P	P	P	P
HE Mohamed Saif Al Suwaidi	P	P (By Proxy)	P (By Proxy)	P
HE Khamis Mohamed Buharoon Al Shamsi	P	P	P	P
HE Salem Sultan Al Dhaheeri	P	P	P	P
HE Ali Murshed Al Marar	A	P	P	P
HE Musallam Obaid Al Ameri	P	P	P (By Proxy)	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

**BOARD EFFECTIVENESS EVALUATION**

An evaluation to assess the performance of the Board as a whole, its committees, and that of the individual directors is conducted annually, with the aim of improving the effectiveness of the Board, its members and committees, and the performance of the Group. Our Board Performance Evaluation set outs requirement for every principal component of the effective Governance including but not limited to skills, training, accountability, effective communication, quality discussions, and succession planning. Based on the individual evaluation performed by the Board members, the Board believes that it is functioning effectively to discharge its' duties towards the shareholders.

**COMPANY SECRETARY**

The Company Secretary is the focal point for communication with the Board of Directors and senior management, and plays a key role in the administration of important corporate governance matters. Our Company Secretary, Mr. Namir El Aridi was appointed by the Board on, 28 October 2014 and reports to the Board in relation to secretarial responsibilities. He is also the Group's Vice President, Legal Affairs and has the following qualifications:

**Qualifications:**

Bachelor of Laws (LLB)  
Certificate in Board Secretarial Practice

**BOARD COMMITTEES**

The Board has established two Board Committees to assist the Board in discharging its responsibilities. The Committees operate in line with their respective charters approved by the Board. The charters set out their roles, responsibilities, scope of authority, composition, and procedures for reporting to the Board.

**AUDIT COMMITTEE**

The Audit Committee, appointed by the Board of Directors, consisted of three members. Three members were Independent Non-Executive Directors, and the Committee has additionally appointed a consultant included a fourth member with relevant financial and accounting expertise.

**Roles and Responsibilities**

The Audit Committee maintains free and open communication between the external auditors, internal auditors, and senior management. The responsibilities of the Audit Committee include:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, as well as reviewing significant financial reporting judgments that they contain.
- Reviewing the Group's internal controls, risk management, and compliance with the relevant regulations.
- Establishing, monitoring and reviewing the effectiveness of the Group's Internal Control department, systems and processes.
- Making recommendations to the Board in relation to the appointment, reappointment, resignation, discharge and remuneration of the external auditor and ensuring a timely response by the Board on the matters contained in the external auditor's letter.
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- Developing and implementing guidelines on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- Reporting to the Board on matters that in the Committee's opinion require action or improvement, and providing recommendations on the necessary steps required to achieve such improvement.
- Reviewing the whistle-blower system whereby employees can anonymously notify their doubts on potential abnormalities in the financial report or internal controls or any other matter, and ensuring proper arrangements for independent and fair investigations of such matters.

- Reviewing any related party transactions and reviewing compliance with such rules for the conduct and approval of such transactions.

- Determining the appointment, compensation, benefits, performance appraisal, discipline, replacement, reassignment, or dismissal of the Head of Internal Control and Compliance as well as the Internal Control Department.

During 2018, four Audit Committee meetings were held:

Audit Committee Member	26 - Feb	24 - Apr	10 - Jul	24 - Oct
HE Rashed Hamad Al Dhaheeri – Chairman	P	P	P	P
HE Salem Sultan Obaid Al Dhaheeri	P	P	P	P
HE Musallam Obaid Al Ameri	A	P	P (By Proxy)	P (By Proxy)
Mr. Osama Al Sheleh	P	P	P (By Proxy)	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Total fee for the year 2018 is AED 0.20 million (2017: AED 0.20 million).

**NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee is responsible for the review of the Group's HR framework and compensation programs. The Committee makes recommendations to the Board on the remuneration, allowances, and terms of service of the Group's senior executives to ensure they are fairly rewarded for their individual contribution to the Group. All the three Committee members are Independent Non-Executive Directors of the Board.

**Roles and Responsibilities**

The key objective of the Nomination and Remuneration Committee is to assist the Board in fulfilling its responsibilities regarding the following:

- Organizing and follow-up of the nomination procedure related to the Board of Directors' election and membership.
- Ensuring that Independent Non-Executive Directors remain independent on a continuous basis and at all times.
- Reviewing the potential for conflicts of interest and judgment, and that there are appropriate safeguards against such conflicts.
- Formulation and annual review of remuneration, benefits, incentives of the CEO and senior executives, and that the remuneration and benefits given to senior management are reasonable and in line with the Group's performance.
- Consideration and putting forward for Board approval proposals on remuneration adjustments, performance bonus, long-term incentives etc.
- Driving the performance-based remuneration culture within the Group through annual performance review of the Group's senior executives and succession planning.
- Determination of the Group's needs for qualified staff at the level of senior executives and the basis of selection.
- Reviewing the remuneration policy and training policy to encourage development and growth of female employees in the Group.

- Reporting to the Board on matters that in the Committee's opinion require action or improvement, and providing recommendations.
- While it is the Committee's responsibility to exercise independent judgment, it does request advice from management and third-party independent sources as appropriate, to ensure that its decisions are fully informed given the internal and external environment.

During the year, two Nomination and Remuneration Committee meetings were held:

Nomination and Remuneration Committee Member	16 - Apr	13 - Dec
HE Mohamed Saif Al Suwaidi – Chairman	P	P
HE Khamis Mohamed Buharoon Al Shamsi	P	P
HE Ali Murshed Al Marar	A	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Total fee for the year 2018 is AED 0.15 million (2017: AED 0.15 million).

**Conduct and Values Committee**

The Conduct and Values Committee is appointed as a sub-committee of the Audit Committee by the Board of Directors to assist the Audit Committee to review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties including fraud, and to ensure that a process is in place for the independent investigation of such matters and for appropriate follow-up action. The Committee is entrusted by the Audit Committee with responsibilities for receiving, reviewing, assessing credibility of allegations, and investigating allegations. The Committee through its' established mechanism has reviewed all such cases or allegations reported in 2018 and reported the conclusion of the proceedings to the Audit Committee.

The Committee members are:

- Head of Internal Control and Compliance (Chairman)
- Senior Vice-President – Human Capital & CS
- Vice-President – Legal Affairs; and
- Director – Risk and Corporate Governance





## RELATED PARTY TRANSACTIONS

Note 24 of Financial Statements provides details of related party transactions.

General Holding Corporation

(Senaat) (holds 51% of Agthia Group PJSC Shares)

SENAAT	2018 AED'000	2017 AED'000
OTHER EXPENSES	(17)	195

Al Foah

(fully owned subsidiary of Senaat)

Al Foah	2018 AED'000	2017 AED'000
LOCAL PURCHASE	13,659	13,932

Emirates Iron & Steel Factory

(fully owned subsidiary of Senaat)

Emirates Iron & Steel Factory (Emirates Steel)	2018 AED'000	2017 AED'000
LOCAL SALES	568	594

Dubai Cable Manufacturing Company

(joint venture with Senaat owning 50%)

Dubai Cable Manufacturing Company (Ducab)	2018 AED'000	2017 AED'000
LOCAL SALES	187	185

## DELEGATION OF AUTHORITY

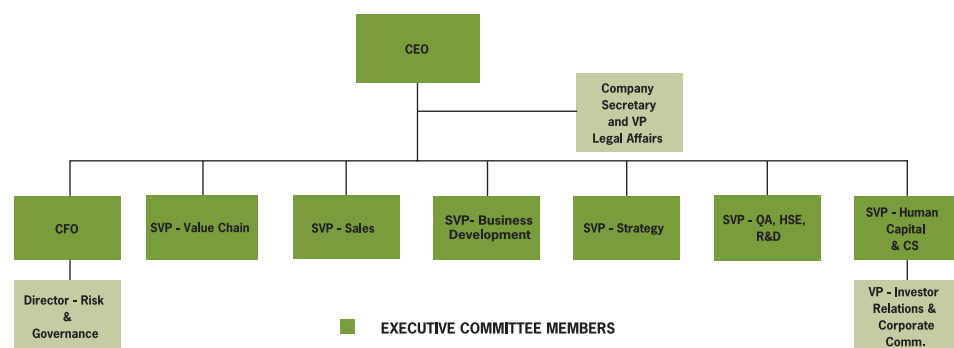
The Board is and shall remain responsible for the overall governance of the Group and for those matters that are reserved for the Board. The Board through a resolution provided the Chairman, powers and authorities on behalf of the Board with the right of delegation. The Chairman under Special Power of Attorney, delegated key authorities to the Vice Chairman – HE Rashed Hamad Al Dhaheri, the CEO - Tariq Ahmed Saeed Al Wahedi and the CFO – Fatih Yeldan to be exercised jointly by any two of them, which is valid for three years until April 26, 2020.

Some of the key authorities delegated by the Board are as follows:

- To jointly manage the Company and its subsidiaries' operations;
- To represent and jointly manage the Company and its subsidiaries in all transactions and documents before the Government;
- To sign jointly all contracts and agreements on behalf of the Company inside and outside of the United Arab Emirates;
- To represent the Company jointly in any manufacturing and/or distribution deals;
- To represent the Company jointly before the banks for opening and closing accounts, applying for loans and financial facilities, and signing LCs, bank guarantees, and other bank documents.
- To incorporate companies and branches the United Arab Emirates or abroad and sign their articles of association jointly.

In pursuance of the special powers and authorities delegated to the Vice Chairman, CEO and CFO, the Vice Chairman, the CEO and the CFO have delegated some of their decision making and approval authorities to the Management as specified in the Authority Matrix approved by Board. The Delegation of Authority framework and policy is established to define the limits of authority designated to specified positions of responsibility within the Group. The Authority Matrix ensures efficient and effective decision making which balances empowerment against controls

## ORGANIZATION STRUCTURE



## CHIEF EXECUTIVE OFFICER

### TARIQ AHMED SAEED AL WAHEDI

Chief Executive Officer

Date of joining: September 13, 2015

#### Qualifications:

Bachelor of Science in Petroleum Engineering(USA)  
Executive Master of Business Administration (Kellogg School of Management,USA)

The Chief Executive Officer (CEO) is appointed by the Board. The CEO is responsible to delivery sustained growth, and must direct the Group towards the achievement of its business objectives, as defined by the Board. The primary role of the CEO is to define and execute the business vision, mission, and strategy of the Group and to ensure that all operations are managed efficiently in terms of allocating resources appropriately and profitably.

Tariq Al Wahedi was appointed as CEO of the Group on July 26, 2017. Prior to his appointment, Tariq had been the Group's Acting CEO, Chief Operating Officer and leading the feed and flour business. Prior to joining Agthia, Tariq had previously held the positions of Senior Vice President at Senaat and Abu Dhabi Basic Industries Corporation.

## EXECUTIVE COMMITTEE

The Executive Committee is composed of senior executives of the Group responsible for the management of the business, and meets on a regular basis. The committee members report to the CEO. The prime role of the Executive Committee is to review business performance, and organizational and operational matters; set strategies/initiatives and monitor their successful execution; and review key business KPIs, progress on key projects etc.

Below are the details of all the Senior Executives, illustrating their appointment dates, remuneration, and bonus for 2018.

Position	Appointment Date	Remuneration and Allowances paid in 2018 AED'000	Bonus for 2018 (estimate) 1 AED'000	Remuneration accrued in future (estimate)2 AED'000
Chief Executive Officer	July 26, 2017	3,027	1,140	To be determined
Chief Finance Officer	July 4, 2016	1,364	388	To be determined
Senior Vice-President – Human Capital & CS	June 1, 2017	1,877	244	To be determined
Senior Vice-President – Strategy	Jan 6, 2016	1,372	198	To be determined
Senior Vice-President –Business Support	May 10, 2017	1,544	182	To be determined
Senior Vice-President – QA, FS, R&D	May 10, 2017	1,043	174	To be determined
Senior Vice-President – Sales	May 10, 2017	1,066	165	To be determined
Senior Vice-President – Value Chain	May 6, 2018	870	204	To be determined

<sup>1</sup> Estimated 2018 bonus amount is subject to board's approval and shareholders' approval of the audited financial statements.

<sup>2</sup> The total vested value of Long-Term Incentive Plan (LTI) accrued in 2018 is AED 3.14 million. The LTI benefits for the senior executives subject to board's approval and are linked to long term business performance.

## INSIDER TRADING MANAGEMENT COMMITTEE

The Insider Trading Management Committee is appointed by the Board as a Management Committee to oversee and follow-up on insiders' trading and their holdings. The Committee is entrusted by the Board with the following responsibilities:

- Ensuring that the reputation of the Group is not adversely impacted by perceptions of trading in the Group's securities at inappropriate times or in an inappropriate manner by employees of the company.
- Evaluating where the employee or third party (such as the Group's auditors, bankers, lawyers or other professional advisors) may be classified as an insider who has direct or indirect access to "inside information" which may affect Group's share price and/ or trading of Group's shares.
- Prepare and maintain a special and comprehensive register of all insiders, including Directors, Executive Management and persons who could be considered as insiders on a temporary basis.
- Developing, reviewing and continuously improving the Trading in Group Shares Policy including guidelines and procedures, and ensuring compliance with the policy and assessing any indicative non-compliance to the policy.
- Annual review of movement in insider share holdings and report to the Board on compliance with the policy and regulatory requirements, highlighting any exception cases noted.
- Effective communication with ADX and SCA regarding black out days, temporary suspension of trading and insider trading

### The Committee members are:

POSITION	NAME
Vice President, Corporate Finance	Saeed Akram
Vice President, Legal Affairs	Namir El Aridi
Director Risk and Governance	Wasif Syed Muhammad
Senior HR Director Overseas, C&B and Policy	Aby Varghese

The above activities were adequately discharged in 2018 by the Committee members and no exceptions were noted.

## RISK MANAGEMENT

Risk management is integral to Agthia's strategy and to the achievement of our long-term goals. The Board has established a risk and control structure designed to manage the achievement of strategic business objectives. In doing so, we take an embedded approach that places risk management at the core of the leadership team agenda, which is where we believe it should be.

The Board provides oversight of the Group's risk management strategy and has the overall responsibility for setting the Group's risk appetite. Risk appetite guides the Group in determining the nature and extent of risk it would ordinarily accept, while executing the business model for creating sustainable shareholder value.

The Group accepts and applies a moderate risk appetite as it seeks a balanced management of opportunities for sustained business growth along with focused identification and exploitation of opportunities generated through its business. It is not the Group's strategy to seek accelerated growth by embracing choices with significant uncertainties.

The Audit Committee oversees compliance with risk management processes and the adequacy of risk management activities related to the Group's operations.

In addition, the Risk Management Committee, reviews the risk appetite and overall risk strategy, and makes recommendations to the Board through the Audit Committee and actions required to ensure adequate controls/mitigating actions are in place against key identified risks.

The Group applies a structured and robust Enterprise Risk Management approach whereby the risk management process is implemented in defined steps- Identify, Assess, Prioritize, Mitigate, Monitor and Report.

The Group has established a Risk and Governance Function separate from line management that enables and facilitate the risk management process across the Group. Wasif Syed Muhammad is the Director, Risk and Governance for the Group and has the following qualifications:

#### Qualifications:

Fellow Member, Institute of Chartered Accountants of Pakistan  
Fellow Member, Association of Chartered Certified Accountants, UK  
Member, Institute of Internal Auditors (IIA), USA

## EXTERNAL AUDITORS

The Board nominates the Group's external auditors based on the recommendation of the Audit Committee. The appointment and remuneration of the external auditors is approved by the General Assembly of Shareholders.

At the General Assembly Meeting held on April 26, 2018, the shareholders appointed Deloitte, one of the leading international audit firms, as the external auditors for the year 2018. Deloitte replaced KPMG and is a multinational professional services firm headquartered in the United Kingdom. It is one of the Big Four audit firms.

KPMG had been the only external auditor of the Company for four years, since their appointment at the General Assembly Meeting held on April 28, 2014. Audit and non-audit related fees and costs of the services provided by the external auditors during 2018 were AED 1,104,714.

DELOITTE	AED
Year End – Audit	466,000
Quarter Review (Q2 & Q3)	314,000
Other Non-Audit services (ADAA Resolution 1 of 2017 reporting, VAT Returns review)	172,047
Total	952,047

KPMG	AED
Quarter Review (Q1)	124,917
Other Non-Audit services (mainly Subsidy review)	27,750
Total	152,667

No other services of the external auditors were utilized during 2018.

There have been no qualified opinions reported by our external auditors on Agthia Group's interim and annual consolidated financial statements as at 31 December 2018. Please refer the Independent Auditors' Report in the Financial Statements for further details.

## INTERNAL CONTROL

The Group's system of internal control aims to ensure that the Board and management are able to fulfil the Group's business objectives. An effective internal control framework contributes to safeguarding the shareholders' investment and the Group's assets. The objective of the Group's internal control framework is to ensure that internal controls are established; that policies and procedures are properly documented, maintained, and adhered to, and are incorporated by the Group within its normal management and governance processes. In accordance with the requirements set out in Abu Dhabi Accountability Authority (ADAA) Resolution No (1) of 2017. Management performs an ongoing process of identifying, evaluating, and managing the risks faced by the Group and establishes and maintains effective controls for the risks identified including those over financial reporting.

The Group carries out the review of its internal controls over financial reporting on an annual basis with respect to all material financial balances whereby the Management assesses the adequacy of design and operating effectiveness of such internal controls over financial reporting. This management assessment is reviewed by the Group's independent auditors.

Management has adopted the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.



Management has assessed the adequacy of design and the operating effectiveness of the Company's internal controls over financial reporting as of 31 December 2018. Based on the assessment, Management has concluded that the internal controls over financial reporting are adequately designed and operating effectively with no material weaknesses been identified. The Group's operating policies and procedures are considered to be adequate and effective, while recognizing that such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance against material misstatement or loss. The Board of Directors acknowledges its responsibility for the Group's internal control framework. The Board has delegated responsibility for oversight of the Internal Control Department (ICD) to the Audit Committee. The Head of Internal Control and Compliance is appointed by the Audit Committee. The Audit Committee reviews the effectiveness of ICD function.

The objective of the ICD function is to provide independent assurance and consulting services using a disciplined systematic approach to improve the effectiveness of risk management, internal control, compliance and governance process, and the integrity of the Group's operations. The function is also responsible for monitoring the compliance of the Group and its employees with the law, regulations, and resolutions, as well as internal policies and procedures. A Charter sets out the purpose, authority, and responsibility of the function.

Reports prepared by ICD are submitted to the Audit Committee and copied to the senior management of the Group for action. During the year, no significant operational internal control failures were identified. However, process level improvements were identified by ICD and accepted by management for implementation towards the continuous improvement of internal controls of the Group. On an ongoing basis, the Audit Committee monitors the progress that management has made with respect to remedial actions taken on issues and findings raised by ICD.

On 14 May 2017, Aamarjit Singh was appointed as the Head of Internal Control and Compliance. He is also the Compliance Officer for SCA Resolution 7 of 2016 and has the following qualifications:

**Qualifications:**  
Master of Business Administration, UK  
Fellow Member, Association of Chartered Certified Accountants, UK

## VIOLATIONS

During the year 2018, the Group was not subject to any material fines or penalties imposed by SCA or any statutory authority on any matter related to capital markets. Additionally, there have been no cases of material non-compliance with any applicable rules and regulations. No major incidents occurred in 2018.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

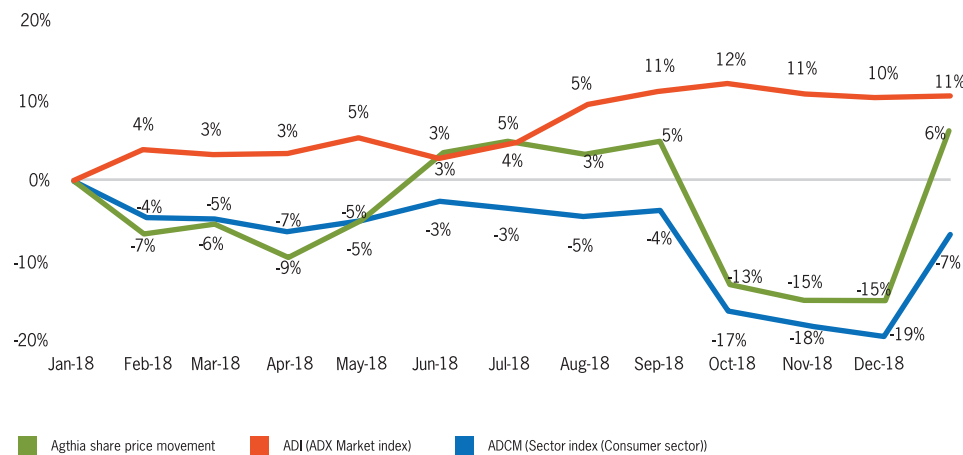
The Group's approach to Corporate Social Responsibility centres on the idea of creating shared value for all of its stakeholders through economic, environmental and social actions. Accordingly, the Group's CSR program has four pillars: Community, Workplace, Nutrition & Well-being, and Environment & Sustainability. The Group believes that in the heart of the shared value concept rests the ability of a company to create private value and to transform this into public value for society. The total amount spent in 2018 on CSR initiatives was AED 0.76 million. The key initiatives or sponsorships related to community support include Sheikh Khalifa Foundation stores where all UAE nationals are offered a similar portfolio of products at discounted prices. The Group also promotes an active lifestyle, by encouraging health and wellness in the various communities we serve.

## SHARE PERFORMANCE 2018 MONTH END SHARE PRICE (AED)

Month	Open	High	Low	Close
Jan-18	4.37	4.37	4.37	4.37
Feb-18	4.23	4.39	4.23	4.39
Mar-18	4.22	4.40	4.20	4.40
Apr-18	4.21	4.40	4.21	4.40
May-18	4.70	4.80	4.70	4.80
Jun-18	4.84	4.84	4.60	4.80
Jul-18	4.80	4.87	4.80	4.80
Aug-18	4.71	4.95	4.71	4.87
Sep-18	4.45	4.45	4.45	4.45
Oct-18	3.90	4.10	3.90	4.10
Nov-18	4.08	4.08	3.85	3.85
Dec-18	5.00	5.00	4.01	4.94

## SHARE MOVEMENT VERSUS ADI AND ADCM INDEX 2018

Base: January 1, 2018



## SHAREHOLDER CATEGORY (NUMBER OF SHARES IN THOUSANDS)

As of December 31, 2018

Category	Government	Individuals	Institutional	Total	Percentage
UAE	342,144	73,548	107,038	522,730	87.1%
GCC	-	28,056	244	28,300	4.7%
Arabs	-	17	1,012	1,029	0.2%
Foreign	-	45,531	2,409	47,940	8.0%
Total	342,144	147,152	110,704	600,000	100.0%
Percentage	57.0%	24.5%	18.5%	100.0%	

## SHAREHOLDERS OWNING 5% OR MORE

As of December 31, 2018

Shareholders	No. of shares	Percentage
General Holding Company	306,000,000	51%
Emirates International Investment Company L.L.C	30,018,746	5%
Abu Dhabi Retirement Pensions and Benefits Fund	30,000,000	5%

## DISTRIBUTION OF SHAREHOLDERS ACCORDING TO THE SIZE OF OWNERSHIP

As of December 31, 2018

Share ownership	No. of shareholders	No. of shares owned	Percentage
Less than 50,000	69,770	96,955,288	16%
From 50,000 to less than 500,000	121	17,687,970	3%
From 500,000 to less than 5,000,000	39	56,929,085	9%
5,000,000 and more	11	428,427,657	71%
Total	69,941	600,000,000	100%

## INVESTOR RELATIONS

The Board is committed to effective communication between the Group and its shareholders. The Group regularly announces its results to SCA, ADX and shareholders by way of interim management statements, quarterly results, and the annual report and annual financial statements. Significant matters relating to share trading or business development are disclosed to SCA, ADX and general public by way of market disclosures and announcements in accordance with the related provisions of applicable laws and regulations, in addition to press releases and postings on the Group's website. The annual investor relations program of the Group includes:

- Quarterly conference calls on financial results with investment community;
  - Responding to enquiries from shareholders through the Group's investor relations function;
  - Meetings between investors, analysts, and senior management;
  - Regular investor roadshows and conferences organized by investment community; and
  - A section dedicated to investors on the Group's website, which comprises of annual reports, quarterly results, corporate governance report, analyst coverage, investor presentations, share price and dividend information (<http://www.agthia.com/en-us/Investor-home>)
  - Our mobile application 'Agthia IR' is available for download on Apple Store or Google Play
- Ozgur Serin is the Vice President, Investor Relations and Corporate Communications for the Group and has the following qualifications:

### Qualifications

Certified Investor Relations Officer  
Bachelor of Science in Management  
Shareholders and investors can utilise the following channels to reach Agthia's investors relations team:  
Phone: +971 2 596 0600  
Email: [ir@agthia.com](mailto:ir@agthia.com)

## RESOLUTIONS PASSED IN GENERAL ASSEMBLY

The Company's annual General Assembly was held on April 26, 2018. The below resolutions were passed at the General Assembly, following which all the resolutions were implemented.

- Approved Board of Director's Report on the Company's activities and financial position for 2017
- Approved Auditor's Report on the financial position for 2017
- Approved Balance Sheet and Profit and Loss account for 2017
- Approved Board of Director's proposal for a cash dividend of 15%
- Discharged Directors from liability for 2017
- Discharged Auditors from liability for 2017
- Approved Directors' remuneration for 2017 of AED 1.4 million
- Appointed Auditors for 2018 and fixed their remuneration
- Consider Chairman's retroactive remuneration differential for FY 2014, 2015 and 2016; subject to SCA approval

## SIGNIFICANT EVENTS IN 2018

### ESTABLISHED FIRST WATER BOTTLING PLANT IN KUWAIT

Agthia Group entered into a joint venture in December 2016, with Kuwait's Al Wafir Marketing Services Company K.S.C.C. to produce Agthia's leading Al Ain Water locally in Kuwait. In September 2018, we started production of Al Ain Water, UAE's number one bottled water brand, in its fully automated manufacturing facility in the Sabhan Industrial Area, with annual bottling capacity of 8 million cases. The opening of Agthia's first facility in Kuwait demonstrates our commitment to establish the Group as a leading regional food and beverages player, growing our business beyond the UAE and above all, ensuring sustainable value creation for our shareholders and business partners.

## NEW PROJECTS UNDERTAKEN OR UNDER-DEVELOPMENT IN 2018

### NEW PRODUCT DEVELOPMENTS

At Agthia, we understand the evolving needs of consumers and always strive to meet these through innovative product offerings. Al Ain Vitamin D is a great example of realising this commitment, where Agthia Group was recently recognized with the 'Best of Middle East' accolade, for its breakthrough world's first bottled Vitamin D drinking water, during the annual Gama Innovation Awards 2018 in the United Kingdom. The Group has also launched other new products in the market in 2018, such as YOP (Yogurt drink) and Al Ain Bambini. We plan to further expand our portfolio through new product development and follow a systematic Stage-Gate process for implementation of innovative ideas.

## AGTHIA PARTNERED WITH TROUW NUTRITION HIFEED TO ENHANCE ANIMAL PERFORMANCE

Agthia Group, has entered into an innovation & technology partnership agreement with Trouw Nutrition Hifeed, a Nutreco Company which is the global leader in animal nutrition and aquafeed in March 2018. The agreement is based on precision farming and feeding concepts branded under NutriOpt. It aims at developing a portfolio of products and services for optimized nutrition, enhanced animal performance and improved economic efficiency in poultry and ruminants for Agrivita brand owned by Agthia Group. Having the same dedication to quality, innovation and sustainability, Agthia Group and Trouw Nutrition Hifeed are perfectly suited to work together in uplifting the farming community in the UAE and the region.

**HE ENG DHAIFER AYED AL AHBABI**  
Chairman  
February 28, 2019