



**Union Properties PJSC**  
Corporate Governance  
*January 2012*



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1. Corporate Governance Practices

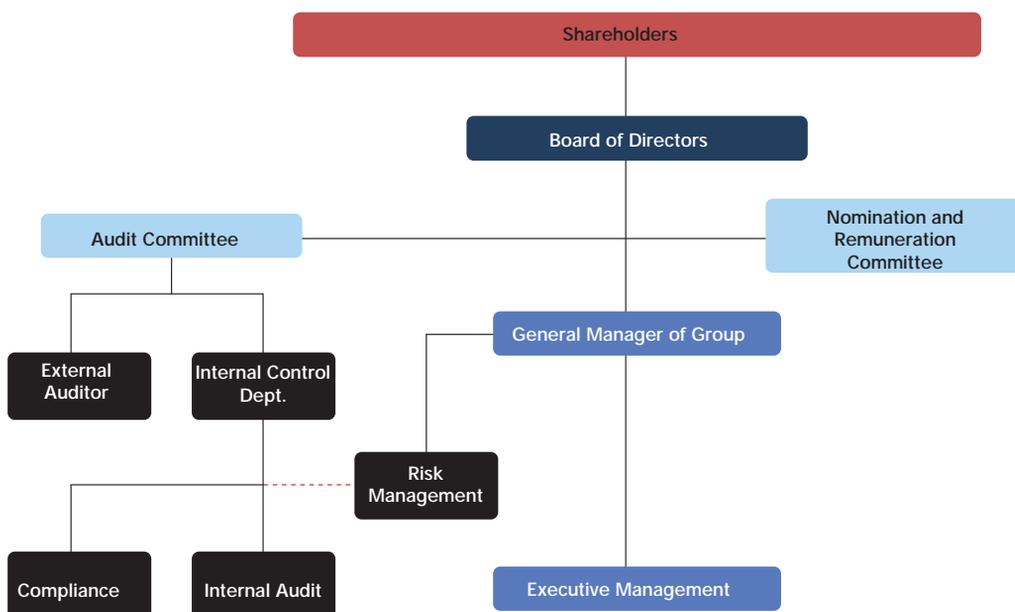
1.1 Overview

Union Properties PJSC (hereinafter referred to as “UP” or the “Company”) is committed to the highest level of corporate governance aiming to raise the levels of transparency of corporate operations. The corporate values of the Company are derived from a system which integrates ethics, corporate integrity and the leading and compliant practices of corporate governance. Transparency, fairness, disclosure and accountability are cornerstones of the Company’s performance, its management and Board of Directors (hereinafter referred to as the “Board of Directors”). Indeed, the Company’s commitment to the best practices of Corporate Governance predates the laws and regulations of Securities and Commodities Authority (hereinafter referred to as “SCA”). Many initiatives have been undertaken by the Company to ensure compliance with the application of governance rules and regulations as issued by SCA and the Ministerial Resolution No. (518) for the year 2009:

- Issue of Governance Manual
- Board of Directors Signing the Independency Acknowledgement
- Adoption of the Code of Business Conduct and Ethics Charter
- Adoption of the Rules and Procedures governing the transactions by the Board of Directors
- Establishment of Audit Committee and Nomination and Remuneration Committee and adoption of their Charters
- Establishment of the Internal Audit Department and adoption of its Charter

1.2 Governance Structure

The following chart includes the structure and the essential elements of corporate governance.



## 2. Transactions in the Securities of the Company and Disclosure Policy

### 2.1 Directors' Transactions in the Company's Securities

- The Board of Directors and any employee familiar with the fundamental data of the Company comply with the conditions and requirements of the SCA which stated – according to article 14 of SCA's Board Decision No. 2 for year 2001 pertaining to trading, clearing, settlement, transfer of ownership and custody of securities – the following:

The Chairman, members of the Board of Directors, General Manager, or any of the employees who are acquainted with the fundamental data of the Company shall not effect dispositions himself or through others by dealing in the Securities of the Company itself, or in the Securities of a parent, subsidiary, allied or affiliate Company of such Company, during the following periods:

- Ten (10) working days prior to the announcement of any significant information which affects the share price by way of a rise or a fall, unless the information was a result of sudden adventitious events.
- Fifteen (15) days prior to the end of the quarterly, half-yearly or annual financial period and until disclosure of the financial statements has been made.

The provisions of the law shall be complied with when any of the persons aforementioned effects dispositions himself or through others by dealing in the Securities of the Company itself, or in the securities of the parent, subsidiary, allied or affiliate Company of such Company. Any dealing not complying with this shall be null and void.

Any transaction in Securities effected by any person shall be void if:

- The transaction is effected on the basis of unpublicised or undisclosed information the transacting party acquired by virtue of his position
- Such person is one of the above mentioned persons and has exploited his insider information about the Company in such transaction
- The Board of Directors and employees shall be entitled to invest in the Company's shares as per the related conditions. They are obligated to notify SCA and Dubai Financial Market's Manager and the Company Board Secretary prior to commencing with such investment.
- The Company conducts periodical audit to the transactions of the Board of Directors and knowledgeable employees through the Internal Control Department.

### 2.2 Company's Policy on Disclosures & Conflict of Interest

- The Board of Directors and employees shall have full knowledge and clear understanding of all applicable laws and regulations upon performing their duties to adhere to during various circumstances. Any privileges that may be granted to the employees including financial and non-financial benefits, and usual compensations arrangements paid to the employees by the Company, shall comply with the Conflict of Interest Policy. Therefore, employees shall carry out their functions as per the principles of fairness and equality subject to the professional standards.



- Awards and Gifts: Employees are not entitled to receive from third parties, any gifts or rewards other than those given by the Company, so their objectivity and independence shall not be affected.
- The Board of Directors shall notify the Company Board Secretary immediately in case any personal financial interest may arise with regard to the Company's affairs. Personal financial interest indicates a financial transaction with a party related to the Company when the transaction value exceeds AED 5 million.
- A Board of Director shall not attend a Board meeting at which any matter of personal interest related to him will be discussed during the meeting, unless the other Board of Directors vote otherwise.
- Should there be any conflict of interest for any major shareholder or any Director of the Board with regard to any matter that may affect the price or volume of investment in the Company's securities, the Board of Directors shall call for a meeting and issue a resolution in this regard in the presence of all Directors except for the concerned shareholder /Director. In unusual cases, these matters may be solved by a special committee formed for such purposes.
- Each Director at the start of his tenure shall disclose to the Company the nature of positions held by him within the public companies and organizations as well as other major obligations; and shall specify the time allocated to such positions and any changes that may occur to these positions and functions, as they occur.
- In addition to the above, each Director shall annually disclose the nature of positions and functions held by him at the Company, the holding Company, any other subsidiary or affiliate.
- The Board of Directors shall monitor the compliance with disclosure policy and shall take any remedial actions when necessary.
- The Annual Governance Report shall be presented to the shareholders attached with the Company's annual report.

### 2.3 Compliance with the Set Policy on Conflict of Interest During the Last Year

- The Board of Directors acknowledges that each Director of the Board was committed to the requirements of Disclosure Policy in accordance with the laws and regulations issued by the Ministry of Economy and the SCA. There is no indication of non-compliance by any Director of the Board.

### 3. Structure of Board of Directors

#### 3.1 Structure of the Board of Directors

- Who are the Directors?

On 21/4/2011, the Board was elected by the Annual General Meeting for a three-year tenure. The Board consists, as of December 31st 2011, of seven non-executive members. The Board is currently chaired by Mr. Khalid Bin Kalban. Members of the Board are categorized into non-executive/non-independent or non-executive/independent as per the definition of these categories by the SCA, and in accordance with the Directors' acknowledgment with regard to independency. During 2011, 1/3rd of the Board held the capacity of non-executive/independent.

- Importance of professional background and experience

Professional backgrounds and experience of the Chairman and Directors are listed in their curricula vitae. The Board considers that assuming other positions in different companies and Boards by its members as enrichment of the Directors' professional skills and leadership culture. However, governance policy complying with the SCA requirements emphasizes that each Director shall dedicate his best endeavour, time and experience to perform his duties as a member of the Board; and that his membership outside the Company shall not intervene with his responsibilities, if any, as a member of the Company's Board.

- Profiles of the Directors

Mr. Khalid Jassim Bin Kalban

Chairman of the Board (appointed to the Board since 2008) – non-executive/non-independent.  
Re-elected to the Board on 21st April 2011.

The Chairman holds a degree in Business Administration from "Arapahoe Community" in USA and a Bachelor in Management from the Metropolitan State College, USA. Mr. Kalban has a wide experience in various areas covering industrial, financial, investment and real estate sectors. His vision and insight contributed in the establishment of many leading companies in the UAE. He currently holds many major positions, including:

- Managing Director and Chief Executive Officer of Dubai Investments PJSC since 1998.
- Director at the Board of National Insurance Company PJSC.
- Director at the Board of Al Thuraya Satellite Communications.
- Vice Chairman at the Board of Arab Insurance Group, Bahrain.

In 2011, Mr. Kalban was awarded Creative CEO Award 2011 at the ceremony held for the Fourth Session of MENA and North Africa for Chief Financial Officers Awards.



Mr. Saeed Mohammad Al Shared

Vice Chairman of the Board (appointed to the Board since 1999) – non-executive/independent.  
Re-elected to the Board on 21st April, 2011.

Mr. Al Sharid holds a BS Degree in Accounting and Business Administration, and has a wide experience in General Management.

He holds the following positions:

- Director at the Board of Etisalat PJSC.
- Vice Chairman and Chief Consultant of Emirates Transport.

Mr. Abdulaziz Yaqoob Al Serkal

Director at the Board (appointed to the Board since 1999) – non-executive/independent.  
Re-elected to the Board on 21st April 2011.

Mr. Al Serkal is a Systems and Industrial Engineer graduate from the USA. He has a wide experience in investments and private ownership within the industrial and real estate sectors. He currently holds the following positions:

- Chief Executive Officer of Masharie (a subsidiary of Dubai Investments PJSC).
- Director at the Board of Dubai Investments Industries (a subsidiary of Dubai Investments PJSC).

H.E. Hamad Mubarak Buamim

Director at the Board (appointed to the Board since 2008) – non-executive/non-independent. Re-elected to the Board on 21st April 2011.

His Excellency holds an MBA with Honors in Banking and Finance Management from the University of Missouri, Kansas, USA, in 2002. His Excellency had his BS Degree with Honors (Magna Cum Laude) in Electrical Engineering and Mathematics from the Southern California University, Los Angeles, USA, in 1996. His Excellency occupied major and significant positions including General Secretary of Dubai Economic Council, Director of Corporate Banking Transactions at HSBC ME Limited. He also worked as a lecturer of Finance & Banking at the College of Business & Economics, UAE University, and as a Senior System Engineer at the Planning and Development of Dubai Electricity & Water Authority (DEWA). He currently holds the following positions:

- General Director of Dubai Chamber of Commerce and Industry.
- Director at the Board of Dubai World.
- Chairman of Emirates NBD Capital.
- Chairman of National Insurance Company PJSC.

Mr. Ali Fardan Al Fardan

Director at the Board (appointed to the Board since 2008) – non-executive/independent. Reappointed to the Board on 21st April 2011.

Mr. Al Fardan holds a Bachelor of Science Degree in Management and Information Systems. He has been involved with various sectors including Real Estate Management and Property Investment, Capital Investment Management and Hospitality Management. Mr. Al Fardan currently holds the following positions:

- Director at the Board of Commercial Bank of Dubai.
- Director at the Board of Dubai Investments Company PJSC.

Mr. Saeed Humaid Bin Draï

Director at the Board (appointed to the Board since 2010) – non-executive/independent. Reappointed by the Annual General Meeting to the Board on 21st April 2011.

Mr. Bin Draï graduated in Politics and International Relations at University of Canterbury in 1997. In September 1998, he joined his family business of ship handling, foodstuff, steel trading, road marking and real estate development among others. Currently, Mr. Bin Draï holds the following positions:

- Managing Director of Bin Draï Enterprises
- Director at the Board of Emirates Money Consumer Finance Company LLC

Mr. Saeed Abdullah Yousuf

Director at the Board (appointed to the Board since 2011) – non-executive/non-independent. Appointed to the Board on 21st April 2011.

Mr. Saeed obtained his Master's Degree in Law from Harvard University. He is currently the Company Secretary and General Manager Corporate Services of Emirates NBD PJSC Group. Mr. Saeed is also a Director at the Board of Emirates NBD Securities and Emirates Money Consumer Finance Company LLC (subsidiaries of Emirates NBD PJSC Group).

### 3.2 Board of Directors' Responsibilities

The Board of Directors' role is to represent the shareholders and is accountable to them for creating and delivering value through the effective governance of the business.

The Board of Directors will annually publish an Annual Corporate Governance Report, which is a statement of the practices and processes the Board has adopted to discharge its responsibilities. It shall include the processes the Board has implemented to undertake its own tasks and activities; the matters it has reserved for its own consideration and decision making; the authority it has delegated to the General Manager, including the limits in which the General Manager can execute that authority; and provide guidance on the relationship between the Board and the General Manager.



Once appointed, every Director shall disclose to the Company the nature of relations he has with other listed companies, including positions, investments and other significant obligations through signing a Declaration of Independence Form.

Additionally, the Board of Directors shall have the following roles and responsibilities:

- Set and review the strategic direction and approves the Annual Operating Budget and Business Plan;
- Make decisions concerning the Company's capital structure and dividends policy;
- Review, adopt and monitor major investments and strategic commitments;
- Review and adopt the annual and interim Financial Statements;
- Ensure compliance with applicable laws issued by Dubai Financial Market, Labor Law and Law of Pensions and Social Insurance in the UAE;
- Ensure that an adequate risk management framework is in place to identify, assess and mitigate risks;
- Ensure appropriate policies and authorities are in place to have effective corporate governance;
- Adopt a Governance Structure that is aligned with the Company's values and strategies, taking into consideration the following:
  - Enhancing the Company's reputation;
  - Maintaining high standards of behaviour;
  - Promoting ethical and responsible decision making;
  - Communicating clear expectations and Delegation of Authority; and
  - Complying with the applicable Governance Regulation (i.e. SCA regulations).
- Appointment of the General Manager and evaluation of his on-going performance and remuneration (through the Nomination and Remuneration Committee), and ensure that an appropriate succession plan for General Manager and Senior Management is in place;
- Recognise the legitimate interests of all stakeholders, being the shareholders, customers, staff and the countries in which the Company operates;
- Set written rules for the dealings of the Directors of the Board and staff in the securities issued by the Company;
- Ensure the integrity of external reporting to stakeholders including:
  - Review and monitor controls, processes and procedures in place to maintain the integrity of the Company's financial and accounting records and statements, with the guidance of the Audit Committee upon its formation;
  - Ensure accurate, objective and comprehensive information is conveyed to the shareholders to ensure that they are fully informed of material developments; and

- Review the reports of the Audit Committee in relation to risk, internal controls and internal and external audit reports.
- The Board, in exceptional cases, may issue some resolutions regarding emergency situations by circulating a draft thereof for signature, provided the following are taken into considerations:
  - That the cases of issuing resolutions by circulation for signature may not exceed four (4) cases a year;
  - The agreement of the majority of the members of the Board of Directors that the concerned case is an emergency situation that requires issuing resolution by circulation;
  - Directors to receive resolution in writing for the purpose of their consent, provided that the documents and evidences necessary to study the same are accompanied therewith; and
  - The written consent of the majority shall be attained on any resolution by the Board of Directors that is issued through circulation for signature, and provided that the same is presented to the subsequent meeting of the Board of Directors so as to include the same in the minutes of the meeting.
- Tasks of the Non-Executive Directors shall include without limitation:
  - To participate in meetings of the Board of Directors and to provide independent opinion on strategic matters, general policy, performance, accountability, resources, appointments and activities implementation;
  - To ensure that priority shall be given to the Company's and Shareholders' interests in case of conflict of interests;
  - To participate in the Company's Audit Committee;
  - To control the Company's performance in realizing its agreed objectives and goals and to monitor its performance reports;
  - To develop procedural rules for the Company's Governance and supervise and monitor their implementation in compliance therewith; and
  - To avail the Board of Directors and its different Committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in the General Meetings.

### 3.3 Remuneration of the Board of Directors

The remunerations of Board members shall be a percentage of net profit. The Company may pay ancillary fees or a monthly salary, determined through a Board resolution, to any member if such a member works in any committee, exerts special efforts or undertakes additional duties for the Company beyond his/her normal duties as a member of the Board of Directors of the CCompany. In all cases, the remunerations of Board members may not exceed ten percent (10%) of net profits, having deducted Depreciation, reserve and distribution of a dividend of at least five percent (5%) of capital to shareholders. In implementation of the above, the Directors' remuneration is determined by a suggestion or recommendation by the Board of Directors raised to the Annual General Meeting of the Company. In all cases, Directors' remuneration shall not exceed 10% of net profits as per the previously-mentioned controls.



### 3.4 Responsibilities assigned to the Executive Management

During 2011, there were no additional roles or responsibilities assigned to the Executive Management. Below is an overview of tasks and authorities assigned by the Board to the Executive management for day-to-day business:

- The Board empowered the Executive Management to carry out the day-to-day business as prescribed in the Company's Articles of Association.
- Represent the Company before Ministries, Governmental Departments and Organizations and official bodies in the United Arab Emirates, whether Federal or local.
- Appoint and layoff employees, fix their salaries, specify their job descriptions, and to evaluate their performance on behalf of the Company.
- Follow up on and issue financial reports to be submitted to the Board of Directors.
- Sign on behalf of the Company as per an authorization by the Chairman on all official transactions related to the activities of the Company, as well as to sign contracts.
- Executive Management shall refer to the Board when taking decisions related to strategic policies of the Company.

## 4. External Audit

The Annual General Meeting held on 21 April 2011 attested the re-appointment of KPMG as the Company's External Auditor for 2011. The Audit Committee, a committee emanating from the Board, attested the annual plan presented by the External Auditor. The External Audit Company is independent from the Company and its Board, and complies with the highest professional standards. They take part at the Ordinary and Extraordinary General Meetings, comply with International and Local Accounting Principles and Standards, present periodical reports on the Company's business to the Audit Committee, and hold regular meetings with Audit Committee to share views with regard to internal regulations applied in the Company and the effectiveness and organization of its Management.

## 5. Audit Committee

### 5.1 Roles and Responsibilities (Terms of Reference)

- Review Annual and Interim Financial Statements before being presented to the Board.
- Review action plans of the external and internal auditors.
- Review the internal control systems of the CCompany to ensure their effectiveness. This task may be outsourced to external consultancy firms.
- Review reports made by auditors and evaluation of the CCompany's internal control system.
- Evaluate the extent of cooperation offered by the Executive Management to the external and internal auditors.
- Nominate and review the appointment of an external auditor.
- Consider internal and external auditors' independency.
- Ensure that risk management policies are developed, and carry out regular non-compliance tests on such policies.
- Report to the Board in writing about the procedures, results and recommendations.

6. Nomination and Remuneration Committee

6.1 Roles and Responsibilities (Terms of Reference)

- Ensure, at all times, the independency of the Directors designated as Independent Board members.
- Prepare, and annually review, the policy related to granting bonuses, benefits, incentives and salaries to the Directors of the Board and higher Executive Management. The committee verifies that the bonuses and benefits given to the higher Executive Management are reasonable and consistent with the general performance of the Company.
- Plan and follow up on the procedures related to nominating Directors of the Board.
- Draw policies relating to staffing, end of service and deductions for the higher management.
- Follow up and evaluate the content of the plans related to human resources and training.
- Report to the Board in writing about the procedures, results and recommendations.

7. Internal Control Department

The Board currently takes the responsibility for all operations related to internal control and compliance within the Company. The Board established a Department for Internal Control. This department reports technically to the Audit Committee and reports to the Board through the Audit Committee. The Department and its staff are independent enough to carry out duties and responsibilities assigned to them.

The Board completed/is completing the following activities in light of the Internal Control procedures:

- Establish an independent department for Internal Audit reporting to the Internal Control Department;
- Define goals, liabilities and authorities relating to the Internal Control Department;
- Develop job descriptions of the staff of Internal Control Department;
- Carry out procedures relating to the appointment of staff for Internal Control Department; and
- Discuss all major issues relating to the control systems and risks with respect to the internal and external audit.



#### 7.1 Internal Control Department Mechanism of Work

The goals of internal control department are:

- Providing comprehensive assurance of the activities of Internal Control Department.
- Develop an annual audit plan based on risk evaluation to ensure effective and efficient internal audit control environment;
- Report to the Board through Audit Committee;
- Report whenever necessary to the SCA; and
- Notify the management about any violations of regulations that may affect the Company or any breach of Laws and Regulations of the SCA.

The Company adopts best international practices to evaluate and enhance the internal control systems. The Internal Control Department developed an annual audit plan based on risk evaluation to ensure effective and efficient internal control environment, and raise reports including notes and recommendations to the Board through the Audit Committee.

With regards to compliance, the job description of the Chief Audit Executive was amended to include the tasks and responsibilities of Compliance Officer; so that the Chief Audit Executive will carry out the tasks of the Compliance Officer to ensure compliance by the Company and its staff with the prevailing laws, regulations, resolutions and by-laws applicable as issued by the concerned authorities, including the SCA and Dubai Financial Market; and to follow up on the compliance by the Company with the corporate policies, procedures and code of conduct. In addition to providing the Board and staff with clarifications about the matters relating to compliance.

#### 8. Contribution to community development and environmental protection

The Company's Management and staff focus on health, safety and environment protection as a priority in the day-to-day operations. The CCompany regularly reviews and enhances its health, safety and environmental policies to prevent pollution within the communities where the CCompany operates. This is achieved by reducing the use of tools that produce pollution as well as reducing waste through recycling and reuse.