



Gulf Navigation Holding PJSC
الخليج للملاحة القابضة (ش.م.ع.)

CORPORATE GOVERNANCE REPORT

2014

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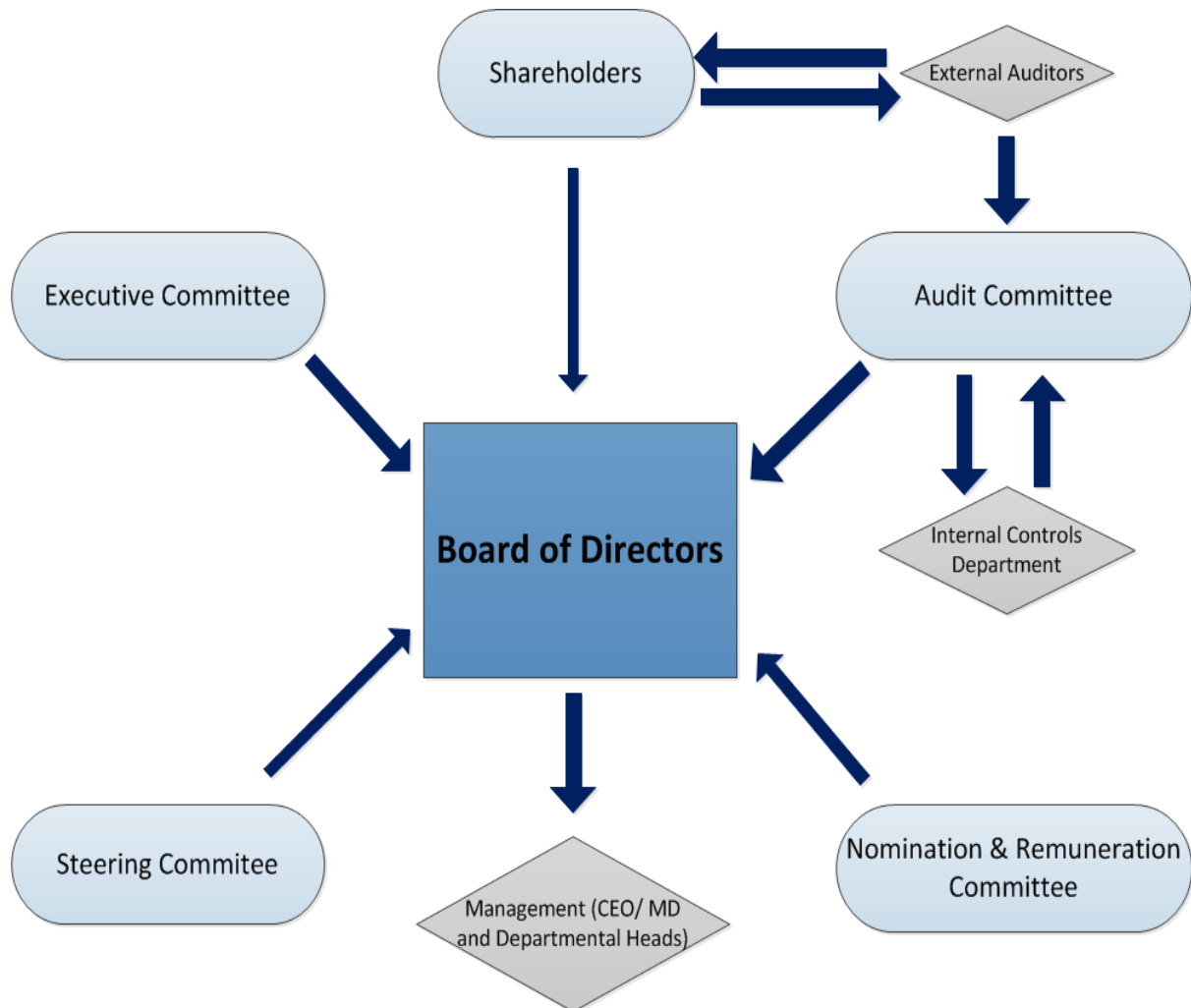
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1. CORPORATE GOVERNANCE PRACTICES

- A. Gulf Navigation Holding PJSC (referred hereafter as “GNH” or “Company”) has fully adopted and implemented the relevant corporate governance rules as set out by Securities and Commodities Authority (SCA). Adopting and implementing the corporate governance framework is a key focus of the Board of Directors (BoDs) and the Executive Management and this ensures that the business strategy is followed within a clear, efficient and highly credible framework.
- B. GNH is committed to apply the Corporate Governance Standards (CGS) set forth herein and all standards/ requirements were studied, compiled and documented as a ‘corporate governance manual’ which has been reviewed, discussed and endorsed by the Board of Directors (BoDs) of the Company. This manual governs all transactions/ activities of the Company and lays down clear framework, roles and responsibilities of the BoDs and its Committees, as well as the relationship between the BoDs and Executive Management including the delegations/ powers granted to the Executive Management.
- C. GNH has adopted several procedures which has consistently maintained the framework of corporate governance, commencing from implementation of Ministerial Resolution No. 518 of 2009 concerning Governance Rules and Corporate Discipline Standard, such as follows (but not limited to):
- i. Amendment of Memorandum of Association (MoA) in accordance with corporate governance requirements.
 - ii. Developed and issued the Corporate Governance Manual.
 - iii. Board’s Committees have been formed in accordance with the corporate governance requirements- Nomination and Remuneration Committee (NRC) and Audit Committee (AC). Moreover, for the purpose of efficient/ effective control and monitoring mechanism in relation to the Company operations, the Board has devised additional two committees which comprises of Executive Committee (EC) and Steering Committee (SC). All these Committees submit their periodic reports to the Board for their reference/consideration and resolutions (where applicable).
 - iv. The Board and its Committees have adhered with the required number of meetings (including the duties and responsibilities) as stated by the Ministerial Resolutions No. 518/2009.
 - v. Procedures and policy concerning trading of Company’s securities has also been developed and implemented in-line with the SCA guidelines.
 - vi. Code of conduct for BoDs and employees have been developed and implemented/ followed.
 - vii. Confidential reporting policy exists whereby staffs can directly communicate their concerns to the Audit Committee.
 - viii. Board Members have signed the Acknowledgement of Independency and Director’s Declaration Form as per the template/ format provided by SCA.
 - ix. Internal Controls Department exists who functionally reports to the Audit Committee in order to maintain independence.
 - x. Internal Controls Dept. (in coordination with the Compliance & Board Secretary) has developed a checklist whereby compliance with the Ministerial Resolution # 518 of 2009 is reviewed/ analyzed on an annual basis, followed by the audit report to the Board.

The Board is committed to maintaining and developing robust corporate governance practices that help to ensure compliance with rules, regulations, applicable legislations, transparency, satisfactory and sustainable returns to shareholders, interests of shareholders/ stakeholders are safeguarded, overall business risk is understood and managed appropriately.

GNH – CORPORATE GOVERNANCE STRUCTURE



2. BOARD MEMBERS SECURITY DEALINGS

A. Policy for securities issued by GNH (Insider Trading)

At GNH, there are set of guidelines to Board Members and employees with respect to transactions in GNH as well as securities of the parent company, subsidiaries and associate companies (where applicable). This policy is always reviewed and revised with the updated version of the SCA's "Regulations as to Disclosure and Transparency" (where applicable).

As per the policy, an employee who is familiar with the essential/ confidential/ undisclosed information which may have an impact on the market share price has been classified under the category of "Restricted Person". Accordingly, Board Members and Company employees are not allowed to trade in GNH securities during probation/ blackout period. Probation / blackout occur over the period when sensitive information is being developed and considered.

In order to bring transparency to the process, each Board member is required to disclose the transaction of their shares (including first degree) on an annual basis. Confirmation is sought from each Board member through a formal mechanism (signed/ acknowledged template), which includes the date of securities transactions, buying/ selling, quantity, value, etc.

B. Commitment of the members of the Board of Directors to disclosure requirements on their dealings in the securities of the company

The members of the Board are committed to disclose transactions in the Company securities on an annual basis, in accordance with the mechanism described above.

Following table exhibits board of directors' trading/ dealing in Company securities during the year 2014:

Name of Board Member	Transaction Date	Buy / Sell	Quantity	Unit Price (AED)	Total Transaction Value (AED)
Mr. Hazza Al Qahtani	5-8/7/2014	Sell	14,750,000	0.3339	4,924,868
	31/7-6/8/2014	Sell	2,000,000	0.6859	1,371,795
	1-2/9/2014	Sell	1,500,000	0.6434	965,057

* The above shares were pledged and sold by ENBD.

* There was no transaction/dealing in company securities by other board members during the year 2014.

3. FORMATION OF BOARD OF DIRECTORS

A. Composition of the Board of Directors

The Board of Directors is responsible for running the Company. The Company Articles of Association includes the way and the method of the composition of Board and the number of its members, as well as their term of office in compliance with governance requirements and Article (118) of Federal Law No. (8) Of 1984 concerning commercial companies (the "Commercial Companies Law"). Board members are elected and appointed by the shareholders during the Annual General Assembly meeting (AGM). The Board is also vested with Board authorities to achieve the Company's goals and objectives in accordance with the Company's Memorandum and Article of Association.

A new Board member (Mr. Mubarak Bin Fahad) was appointed on 15th March 2014 and the approval was duly sought through the AGM held on 5th April 2014. Mr. Mubarak replaced Ms. Sahia Ahmad (Board member and Chairman Audit Committee) who resigned in March 2014.

No other changes were incurred in the Board Composition as of 31st December 2014.

Details of BoDs as of 31st December 2014 are given in the following table:

Name of Members	Board Position	Type / Nature of Membership	Committee Membership	Date of Appointment
Mr. Hazza Al Qahtani 	Chairman	Non-Executive/ Independent	Chairman- Board of Directors	25 th Apr 2013
H.E Salem Al Zaabi 	Vice Chairman	Non-Executive/ Independent	Chairman- Steering Committee/ Member Nomination & Remuneration Committee	25 th Apr 2013
Mr. Nasser Al Kahtani 	Member	Non-Executive/ Independent	Chairman- Executive Committee/ Member Steering Committee	25 th Apr 2013
Mr. Abdulla Al Harthy 	Member	Non-Executive/ Independent	Chairman- Audit Committee/ Member Executive Committee/ Member Steering Committee	25 th Apr 2013
Mr. Nizar Al Qannas 	Member	Non-Executive/ Independent	Chairman- Nomination & Remuneration Committee/ Member Steering Committee	25 th Apr 2013
Mr. Hakeem Al Otaibi 	Member	Non-Executive/ Independent	Member Audit Committee/ Member Executive Committee	25 th Apr 2013
Mr. Mubarak Bin Fahad 	Member	Non-Executive/ Independent	Member Audit Committee (since 30 th Sep 2014)	15 th Mar 2014
Mr. Magid Al Shamrokh 	Member	Non-Executive/ Independent	Member Audit Committee/ Member Nomination & Remuneration Committee	25 th Apr 2013
Capt. Faisal Al Qahtani 	Member	Non-Executive/ Independent	Member Executive Committee	25 th Apr 2013
Dr. Sandeep Kadwe 	Member	Executive/ Non-Independent (Managing Director of GNH)	Member Executive Committee	25 th Apr 2013

*Ms. Sahia Ahmed (Board Member/ Chairman Audit Committee) resigned in March 2014.

*Mr. Mubarak Bin Fahad joined as a board member on 15th Mar 2014, replacing Ms. Sahia Ahmed.

B. Qualification/ profile of the Board Members

The experience and qualification of the Board members, as well as their association with other companies (if any) are briefly described below:

i. Mr. Hazza Baker Al Qahtani – Chairman of Gulf Navigation Holding PJSC

Mr. Hazza Baker Al Qahtani is one of the original founders of Gulf Navigation Holding. His qualifications include MBA from the University of Alabama in the US. Mr. Al-Qahtani is a renowned, respected and successful Saudi marine entrepreneur with over 25 years of national, regional and international business management experience in the Shipping sector.

Mr. Hazza Baker Al Qahtani is currently the Chairman & Managing Director of Amad Investments Holding, the Chairman of Byoun International Group and a Board Member of the International Chamber of Commerce - all positions held within Saudi Arabia. Mr. Hazza Baker Al Qahtani is one of the founding members of Gulf Navigation Holding PJSC.

ii. H.E. Salem Ali Al Zaabi – Vice Chairman of Gulf Navigation Holding PJSC / Chairman of Steering Committee/ Member of Nomination & Remuneration Committee

H.E. Salem Ali Zaabi is the Acting Director General of National Transport Authority, The Maritime Administration of UAE. He has an overall responsibility to propose the general policies, laws and regulations to ensure the efficiency and safety of maritime and land transportation in the UAE.

He began his career as Asst. Vice President of United Arab Shipping Company in 1991 after which he held position as Assistant Under-Secretary in Land & Marine Affairs Sector- Ministry of Communication, UAE. Since 2012, He also holds the position as the Acting Director General and Executive Director - Land and Marine Affairs Sector, including Railways - National Transport Authority. At National Transport Authority, he works closely with his skilled and experienced team in realizing the Vision and Mission of National Transport Authority that is centered on establishing an integrated transportation for a sustainable growth.

Currently, he serves as the Chairman of United Arab Shipping Company and he is also the Chairman of the Executive Committee and Chairman of Steering Committee of United Arab Shipping Company, the official shipping line owned by the Gulf Countries and Vice Chairman of Emirates Classification Society (Tasneef).

He holds Master Degree in Administration and Master Degree in International Development in Government Sector from Kentucky State University, USA and has completed several specialized courses in Maritime Studies from many renowned Institutions such as Cambridge University, UK and Harvard University, Boston - USA.

iii. Dr. Sandeep Kadwe – Managing Director (MD) of Gulf Navigation Holding PJSC/ Member Executive Committee

Dr. Sandeep Kadwe, holds PhD in Economics, MBA in Finance, Marketing and a degree in Mechanical Engineering. He has over 22 years of comprehensive experience in various industries including engineering, shipping, public sector undertakings, capital markets, finance, strategy consulting and IT.

Dr. Sandeep has advised several clients, boards and investors across GCC and India for Greenfield & Start up projects, turnaround, sustainability, growth, efficiency improvement, corporate & capital restructuring and raising finance. Dr. Sandeep previously advised Gulf Navigation Co. LLC (before conversion to the PJSC) for the pre IPO and IPO stage. He is also the Director and Managing Consultant of MITCON International which offers specialized Consulting Services in Management, Investment and Technology to large diversified Corporate in the GCC and abroad.

iv. Mr. Nizar Al Qannas – Chairman Nomination & Remuneration Committee/ Member Steering Committee

Mr. Nizar Al Qannas, a Saudi National is a BA in Economics & Political Science. Since 1983, Mr. Al Qannas has enjoyed a distinguished career within Banque Saudi Fransi. During this period, he held a number of positions including Legal & Claims Manager and Retail Banking Department Manager, dealing with all branches within the Eastern region. Since 1999, Mr. Al Qannas has held the position of Secretariat General as well as Board of Directors Secretary since Bank inception. He has also been Secretary to the Executive Committee of the Bank.

In addition, Mr. Al Qannas is now a member of SAKAN and Fransi Leasing Companies and was a member of Allianz SF Board of Directors in the past.

v. Mr. Nasser Al Kahtani – Chairman Executive Committee/ Member Steering Committee

Mr. Nasser Al-Kahtani, a Saudi National, is the Executive Director of the Arab Gulf Program for Development - AGFUND. He holds a Master's degree from the University of Miami, and is considered to be one of the most distinguished Arab leaders in the field of international development.

Assuming a number of advisory positions and membership of several boards in both public and private sectors, Mr. Al-Kahtani has won the confidence and high esteem of various executive councils functioning in human development and became well known as one of the most influential development leaders in the Arab world.

Mr. Al-Kahtani is also the Head of AGFUND Team for establishment of the Banks for the Poor in the Arab World, besides his membership of the boards of many banks and financial institutions working in the field of microfinance in the Arab Region. He played leading roles and has bold contributions in the development and upgrading of micro, small and medium finance institutions. Mr. Nasser Baker Al Kahtani is also one of the founding members of Gulf Navigation Holding PJSC.

vi. Capt. Faisal Al Qahtani – Member Executive Committee

Cap. Faisal Al-Qahtani, a Saudi national, is currently the CEO of Oceans Power Co. Capt. Al-Qahtani holds a master degree in Marine Studies. His career started with National Shipping Company, Saudi Arabia and he left NSCSA in 2003 where he was Corporate Operations & Logistics Manager and moved on to hold the position of the General Manager at Zamil Industrial Company and then with United Maritime Lines between 2003-2007. In 2007, he joined Dubai Port World as Senior Vice President & Managing Director for the Middle East Region until 2014.

Capt. Al-Qahtani has played a key role in formulating the long term /short term strategic plans of DP World and has been instrumental in executing project developments as per the business plans. He also played a vital role in the acquisition of Sokhna Port in Egypt.

Capt. Faisal Al-Qahtani, Board member of DAPDC in Yemen, DP World Middle East for Investment LLC (Dubai, UAE), DP World Middle East LLC (Dubai, UAE), and DP World Sokhna (Egypt).

He also holds a number of specialized courses in the maritime field, as well as advanced courses in executive leadership.

vii. Mr. Abdulla Al Harthy – Chairman Audit Committee/ Member Executive Committee/ Member Steering Committee

Mr. Abdulla Alharthy, an Omani National is the Honorary Consul of Oman to the Republic of Uruguay. He holds a number of Board and Chairman Positions in listed companies in Oman including National Gas, Oman National Engineering & Investment Co. and Paramount ONEIC.

viii. Mr. Hakeem Al Otaibi – Member Audit Committee/ Member Executive Committee

Mr. Hakeem Al-Otaibi, is a Kuwaiti National. Mr. Al-Otaibi currently holds a Senior Management position within Arab Combined Shipping & Transport Co. which has become well established over a number of years offering professional experience in shipping & road transportation, and by handling RO-RO, B/Bulk & Chartered Vessels carrying regular commercial cargo and Government project cargo. The company has been nominated as exclusive handling agent for many Companies in Kuwait.

Mr. Al-Otaibi holds an Engineering Diploma from a Kuwaiti institution & had attended many courses related to Aviation Industry.

ix. Mr. Magid Al Shamrokh – Member Audit Committee/ Member Nomination & Remuneration Committee

Mr. Magid Al-Shamrokh, a Saudi National holds a PhD in Business Administration and a BSc in Economics and Management Accounting. Since 2005, Mr. Magid has held the position of CEO at ARMS Trading and

Investment Co., a Saudi privately owned company managing Saudi and Gulf investment stocks and accessing channels of direct importation from Dubai, China, Malaysia and India.

x. Mr. Mubarak Bin Fahad – Member Audit Committee

Armed with a post graduate MBA in Strategic Management from Birmingham (UK) and a Bachelor of Science degree in Finance, Insurance and Management from Northeastern University, Boston (USA), Mubarak bin Fahad belongs to the young breed of accomplished UAE nationals who combine first-class education with a ‘can do’ approach to both business and life.

Mr. Mubarak held several key positions within the Government of Dubai’s Department of Tourism and Commerce Marketing, including those of Director of Media & information, Director of Overseas Promotions and initially Manager of the Department’s Information Centre.

Mr. Bin Fahad is an astute, insightful and respected venture capitalist. His primary area of focus is his strategic investment in a broad spectrum of companies across multiple sectors. He also was the Chief Executive Officer, AL KHALEEJ INVESTMENTS PTE / WISMA DEVELOPMENT PTE LTD, Singapore. He enhanced Dubai’s position when he was Director General of the DWTC. In addition, he joined the private office of H.H Sheikh Sultan Bin Khalifa Al Nahyan as the CEO Investment & Development. Mr. Bin Fahad has been honored with several important awards during his esteemed career but the one he cherishes the most is the one that set him on his path to achievement - the prestigious H.H Sheikh Rashid Award for Academic Excellence with which he was presented in 1994.

C. The membership of the Board of Directors in any other public shareholding companies

The members of the Board of Directors of Gulf Navigation are not members of any other public joint stock companies within the United Arab Emirates. Current positions/ profile of the BoDs are provided in previous section (section B, page 7).

D. Statement with details of Directors' remuneration and allowances for attending meetings of the Board and Committees for the financial year of 2014 (including previous financial year 2013)

Board members receive fixed allowances for attending Board/ Committee meetings (including any additional work assigned to them by the Chairman). The total value of remunerations/ allowances for the year 2014 amounted to AED 1,298,394, with details as follows:

Description	Board of Directors' Meeting (AED)	Board Committee Meetings (AED)	Allowance to Board members for additional tasks/ assignments (AED)	Total
Attendance Fee	284,000	112,000	152,000	548,000
Meeting Expenses	438,690	128,040	183,664	750,394
Total	722,690	240,040	335,664	1,298,394

BoDs allowances for the previous year (2013):

Description	Board of Directors' Meeting (AED)	Board Committee Meetings (AED)	Allowance to Board members for additional tasks/ assignments (AED)	Total
Attendance Fee	412,000	236,000	238,980	886,980
Meeting Expenses	551,376	154,239	543,769	1,249,384
Total	963,376	390,239	782,749	2,136,364

BoD’s allowances proposed/ budgeted for the current financial period, i.e., 2015 (subject to approval by the Shareholders through AGM) is expected to be AED 1,727,500:

E. The number of board meetings held during the year 2014, along with dates and attendance log

Board of Directors	9 th Feb	15 th Mar	5 th Apr	26 th Apr	25 th Jul	30 th Sep	8 th Nov	13 th Dec
Mr. Hazza Al Qahtani- Chairman	✓	✓	✓	✓	✓	✓	✓	✓
H.E Salem Al Zaabi- Vice Chairman	✓	✓	✓	✓	✓	✓	X	X
Mr. Nasser Al Kahtani	✓	✓	✓	X	✓	✓	✓	✓
Mr. Abdulla Al Harthy	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Nizar Al Qannas	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Hakeem Al Otaibi	✓	✓	✓	✓	✓	X	✓	✓
Mr. Mubarak Bin Fahad	N/A	N/A	✓	✓	✓	✓	✓	X
Mr. Magid Al Shamrokh	✓	X	X	X	✓	X	✓	✓
Capt. Faisal Al Qahtani	✓	✓	✓	X	X	X	✓	✓
Dr. Sandeep Kadwe	✓	✓	✓	✓	✓	✓	✓	✓

*Mr. Mubarak Bin Fahad joined as a board member on 15th Mar 2014

*Board Members who could not attend three consecutive meetings extended their apologies and reasons for not attending three consecutive meetings. The board accepted justifications/ special reasons provided by the relevant board members.

F. Delegation of Management Authorities

The Managing Director (MD) of the Company achieves the work assigned to him, as well as the targets set by the Board and ensure that all work's units are managed effectively in terms of resources and profitability. The main tasks assigned to the MD and Executive Management is to carry out the vision, mission, strategic plans, annual plans, and involvement to improve the vision of Gulf Navigation within all functions.

Managing Director is held accountable for all operations of Gulf Navigation, profitability and sustainable growth. The MD also develop the vision of Gulf Navigation and supervise the preparation of operational plans and direct the Company towards its implementation of its targets.

Dr. Sandeep Kadwe was appointed on 24th May 2013 as Managing Director of the Company, where Board approves to change his membership from Non-Executive to Executive member. The Board has delegated powers to Dr. Sandeep Kadwe as Managing Director of the Company, to run the Company business and affairs under power of attorney notarized by the Notary Public of Dubai, UAE, which includes the power to represent the Company before all competent authorities, sign on behalf of the Company on all documents and undertake day-to-day management of the Company.

G. Brief statement of senior personnel (executives) in the Company as at 31st December 2014

Name	Title	Date of Appointment	Salary & Allowances (AED)	Bonus
Dr. Sandeep Kadwe	Managing Director	26-05-2013	1,200,000	N/A
Richard B. Lim	Head of Finance and Accounts	01-09-2013	594,000	N/A
Parag Jain	Vice President - Agencies	03-01-2010	580,000	N/A

4. EXTERNAL AUDITOR

A. Appointment, fees and services

General Assembly (held on 5th April 2014) ratified to reappoint PricewaterhouseCoopers (PwC) as an external auditor for the financial year 2014 with total remunerations amounting to AED 275,598 for GNH. PwC is associated with the Company (as an external auditor) since 2011 for the purpose of annual statutory audit and review of quarterly financial statements. The external Auditors (PwC) did not provide any other services to the Company during the financial year 2014.

On an annual basis, the company requests quotation/ proposal from different audit firms and formal evaluation mechanism (technical/ financial) is performed before selecting the relevant audit firm for the given financial year, which includes approval from the Audit Committee. The external auditors (firms/ fees) are finally approved/ appointed by the shareholders through Annual General Meeting.

PwC is among the leading professional services networks in the world and is one of the Big Four auditing firms. PwC is a network of firms in 157 countries with more than 195,000 people. PwC has been practicing in the UAE for over a quarter of a century and specializes in Audit, Assurance, Business Advisory Services and Taxation. The firm has experience in a number of industries including banking and capital markets, capital projects and infrastructure, education, energy utilities and mining, financial services, government and public sector, health industries, hospitality and leisure, Islamic finance, manufacturing, real estate, and transportation and logistics.

5. BOARD COMMITTEES

In order to appropriately and efficiently handle the activities, the Board has formulated four different Committees (composed from members of the Board) for support/ assistance and adequate control through direct reporting to the Board. These committees comprise of:

- Audit Committee;
- Nomination & Remuneration Committee;
- Executive Committee; and
- Steering Committee.

6. AUDIT COMMITTEE

A. Composition & duties

The Audit Committee is composed of the following members as of 31st Dec 2014:

Name of Board Members	Position	Status
Mr. Abdulla Suleiman Alharthy	Chairman Audit Committee	Independent / Non-Executive Director
Mr. Hakeem Al-Otaibi	Member	
Mr. Magid Attalla Al-Shamrokh	Member	
Mr. Mubarak Bin Fahad	Member	

*Mr. Mubarak Bin Fahad joined as a board member on 15th Mar 2014 and appointed as Audit Committee member on 30th Sep 2014

**Ms. Sahia Ahmed (Board Member and Chairman Audit Committee) resigned in March 2014

The primary tasks of the Audit Committee include:

- **Internal Control, risk management and regulatory compliance**
 1. Review the Company's financial controls, internal controls and risk management system/ framework.
 2. Discuss the Internal control system with the Management and to ensure that it is operating effectively.
 3. Compliance with the listing and disclosure rules as issued by SCA (including other applicable rules and regulations).
- **Review of financial information**
 1. Ensure integrity of the financial statements while emphasizing any changes to the accounting policies and practices, aspects subject to judgment or estimation, substantial adjustments resulting from the audit, going concern and, compliance with International Financial Reporting Standards.
 2. Consider any significant and unusual matters to be reported in the financial statements and to address concerns raised by the Head of Finance & Accounts, Compliance Officer or External Auditors.

3. Review the Company's financial and accounting policies and procedures.
4. Ensure compliance with the listing rules and other legal requirements in relation to financial reporting.
5. Review and approve annual and quarterly financial statements before submitting to the Board for approval.

➤ **Relationship with external auditor**

1. Monitor the independence of the External Auditor and to discuss with the External Auditor the nature, scope and efficiency of the audit in accordance with generally accepted auditing standards.
2. To ensure that significant findings and recommendations made by the External Auditors and management's proposed responses are received, discussed and appropriately acted on.
3. To develop and implement policy on the engagement of an External Auditor to supply non Audit services, if any, to ensure that provision of such services would not impair the independency and objectivity of the External Auditor.
4. Adopt a policy on dealing with the External Auditor and reporting/recommend to the Board any issues that require action on the part of the Board.
5. Meet with the External Auditors on a periodic basis.
6. Review and consider (and respond) to any correspondence or queries received from the External Auditor.
7. Review and recommend the appointment, re-appointment, or replacement of an External Auditor.
8. Review and approve the remuneration and term of engagement of the External Auditor.

➤ **Relationship with internal auditor**

1. Develop a policy on confidential reporting by employees. The policy should relate to financial irregularities, internal control matters or other matters of concern to the company. Further, to ensure that proper procedures are in place to allow for independent and fair investigations of reported matters.
2. Ensure that the Internal Audit function is adequately resourced and has an appropriate standing within the Company.
3. Monitor compliance with the Code of Business Conduct.
4. Consider the findings of investigations initiated by the Board of Directors.
5. Ensure coordination between the Internal and External Auditors.
6. Ensure adherence to the Duties & Responsibilities included in the Charters.
7. Ensure that findings and recommendations identified by the Internal Auditors are timely implemented/ resolved by the management.

B. Number of Audit Committee meetings held during the year 2014 along with dates/ attendees

Name of Board Member	24 th Feb	5 th Mar	26 th Apr	24 th Jul	7 th Nov
Mr. Abdulla Alharthy- Chairman	✓	X	✓	✓	✓
Mr. Hakeem Al Otaibi	✓	✓	✓	✓	✓
Mr. Mubarak Bin Fahad	N/A	N/A	N/A	N/A	✓
Mr. Magid Al Shamrokh	X	✓	X	✓	✓
Ms. Sahia Ahmed	X	X	N/A	N/A	N/A

*Mr. Mubarak Bin Fahad joined as a board member on 15th Mar 2014 and appointed as Audit Committee member on 30th Sep 2014

**Ms. Sahia Ahmed resigned in March 2014

7. NOMINATION AND REMUNERATION (N&R) COMMITTEE

A. Composition & duties

The N&R Committee is composed of the following members as of 31st Dec 2014:

Name of Board Members	Position	Status
Mr. Nizar Al Qannas	Chairman N&R Committee	Independent / Non-Executive Director
H.E Salem Al Zaabi	Member	
Mr. Magid Al Shamrokh	Member	

The primary tasks of the N&R Committee are as follows:

- Verification of ongoing independence of independent board members.
- Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to Board members and employees.
- Determination of Company's need for resource and basis of selection.
- Formulation, supervision of application and annual review of the Company's human resources and training policy.
- Organization and follow-up procedure of nomination to the membership of the Board of Directors.

B. Number of N&R Committee meetings held during the year 2014 along with dates/ attendees

Name of Board Member	5 th Mar	10 th Sep
Mr. Nizar Al Qannas- Chairman	✓	✓
H.E Salem Al Zaabi	X	✓
Mr. Magid Al Shamrokh	✓	X

8. EXECUTIVE COMMITTEE

A. Composition & duties

The Executive Committee is composed of the following members as of 31st Dec 2014:

Name of Board Members	Position	Status
Mr. Nasser Al Kahtani	Chairman Executive Committee	Independent / Non-Executive Director
Mr. Hakeem Al Otaibi	Member	
Mr. Abdulla Al Harthy	Member	
Capt. Faisal Al Qahtani	Member	
Dr. Sandeep Kadwe	Member	Non-independent/ Executive Director

* The N&R Committee has reviewed the Independency of Dr. Sandeep (MD of GNH) for his membership in the Executive Committee and it was concluded that since Executive Committee is established for strategic/ operational purpose and also not a mandatory Committee as per Ministerial Resolution 518 of 2009, Dr. Sandeep can serve as an Executive Committee member (executive director).

The primary tasks of the Executive Committee are as follows:

- Responsibility for any specific issues delegated by the Board of Directors.
- Review the proposed changes made by the MD to the 5-year rolling Strategic Plan and re-define company strategic goals before submitting the final plan to the Board of Directors for approval.
- Give final sign-off approval to all commercial and income / resource diversifying projects, including the purchasing of vessels and other assets (including investments) that have been approved within the annual Strategy setting process.
- Give final sign-off approval to all capital expenditure that exceeds USD1m as previously approved through the annual budget process.
- Give final sign-off approval to all asset disposals (including disposal of vessels) that have been approved within the annual Strategy setting process after approval General Assembly.
- Review and approve the annual budget prepared by the MD before submitting to the Board of Directors for their approval.
- As part of the annual review of the 5-year strategic plan evaluate the performance of the Executive Management and submit the findings of this review to the Board of Directors.
- Give final sign-off approval to revised remuneration proposals through the annual budget process (in line with N&R Committee's recommendations).

B. Number of Executive Committee meetings held during the year 2014 along with dates/ attendees

Name of Board Member	18 th Jan	15 th Mar	5 th Apr	7 th Jun	24 th Jul	1 st Oct	12 th Dec
Mr. Nasser Al Kahtani	✓	X	✓	✓	✓	✓	✓
Mr. Hakeem Al Otaibi	✓	✓	✓	✓	✓	X	X
Mr. Abdulla Al Harthy	N/A	N/A	✓	X	✓	✓	✓
Capt. Faisal Al Qahtani	X	X	✓	X	X	X	X
Dr. Sandeep Kadwe	✓	✓	✓	✓	✓	✓	✓

9. STEERING COMMITTEE

A. Composition & duties

The Steering Committee is composed of the following members as of 31st Dec 2014:

Name of Board Members	Position	Status
H.E Salem Al Zaabi	Chairman Steering Committee	Independent / Non-Executive Director
Mr. Nizar Al Qannas	Member	
Mr. Nasser Al Kahtani	Member	
Mr. Abdulla Al Harthy	Member	

The primary tasks of the Steering Committee are as follows:

- Responsibility for any specific issues delegated by the Board of Directors.
- Assists and report to the Chairman of Board of Directors in defining short term and long term business plan which can be then implemented through the management of the company
- The Steering Committee will discuss current challenges and opportunities related to managing business during progress of business at Gulf Navigation Holding PJSC, with inputs from 3 committees already constituted, on a common platform, before reporting their suggestions to the board of directors.
- In order to perform duties delegated by Board of Directors, The Steering Committee can invite an industry expert or professional of repute, for their meetings, to seek independent professional opinion on matters related to business improvement.
- The Steering Committee is also expected to recommend and guide the MD in managing the business and meet future challenges.

B. Number of Steering Committee meetings held during the year 2014 along with dates/ attendees

Name of Board Member	22 nd Nov
H.E Salem Al Zaabi	✓
Mr. Nizar Al Qannas	✓
Mr. Nasser Al Kahtani	✓
Mr. Abdulla Al Harthy	X
Dr. Sandeep Kadwe	By Invitation

10. RELATED PARTY TRANSACTIONS

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities. Pricing policies and terms of these transactions are approved by the Group's management.

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions:

	2014 AED'000
Management fees charged by a jointly controlled entity	3,834
Office rental charged by a share holder	732
Office rental charged by a director	60
	<u> </u>

The outstanding balances of amounts due from / to related parties are given below:

	2014 AED'000
Due from related parties	
Non-current	
Gulf Stolt Tankers DMCCO (Joint venture) (Note 1)	31,314
	<u> </u>
Current	
Gulf Stolt Tankers DMCCO (Joint venture)	180
	<u> </u>
	<u> </u>
Shareholders of Gulf Navigation LLC (Note 2)	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	5,799
Due to directors for directors fee	3,017
	<u> </u>
	<u> </u>
	<u> </u>
Loan from related parties	
Directors/Shareholders (Note 3)	10,980
	<u> </u>

Note 1: The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO (GST). This loan carries interest of 6.6% per annum.

Note 2: Amounts due to shareholders of Gulf Navigation LLC represents amounts payable to the shareholders of Gulf Navigation Holding LLC in respect of an amount of AED 5,914 thousand retained to cover the amounts of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represents amounts awarded by the arbitrators for claims filed by Gulf Navigation Holding LLC against certain third parties. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them.

Noted 3: The Group drawn down loans from directors/shareholders on following terms:

	Loan I AED'000	Loan II AED'000	Loan III AED'000	Total AED'000
Balance at 1 January 2014	3,660	3,660	3,660	10,980
Add: Amount availed	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2014	3,660	3,660	3,660	10,980
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Average nominal interest rate	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	11.61%	10.11%	11.34%	11.02%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Key management remuneration *	2014	2013
	AED'000	AED'000
Salaries and benefits	1,748	2,105
End of service benefits	-	16
	-----	-----
	1,748	2,121
	=====	=====

*Excludes expenses reimbursed AED 750,394 (2013:AED1,249,384)

11. INTERNAL CONTROL SYSTEM

- The Internal Control Department (ICD) reports directly to the Board and operates under the stewardship of the Audit Committee. This enables Internal Control to function in an independent and objective manner.
- The board has the overall responsibility for ensuring adequate internal control systems/ framework.
- Board reviews the Internal Control deliverables through Audit Committee- highlighting matters discussed and resolutions passed after each meeting of Audit Committee relating to internal audit, Compliance audit, internal control and risk management.
- The Internal Control department performs its duties according to the Charter and Manual of Internal Control, duly approved by the Audit Committee. Briefly, ICD is responsible for the following tasks/ activities:
 - Internal audit plan covering (i) Internal Audit, (ii) Compliance Audit, (iii) Internal Control and (iv) Risk Management and the same is approved by the Audit Committee.
 - Implementation of the tasks of the Internal Audit based on risk assessment (Risk Assessment) to determine and direct audit resources at high/key risk areas, in order to review, recommend and perform follow up on a regular basis to ensure risk appetite of Company is kept at lower level.
 - Submit formal/ detailed audit reports to the Board of Directors through the Audit Committee to clarify the extent of compliance with the Internal Control Plan and the current status of the recommendations that have been agreed with the management previously and additional improvement opportunities, value additions during the course of planned audits.
 - Provide the necessary support to the executive management to identify and evaluate the operational and financial risks.
 - Ensure compliance with the prevailing rules, regulations and legislations issued by the SCA, the Dubai Financial Market (DFM), Commercial Companies' law, and other applicable UAE Laws.
 - Establish mechanism for employees/ user of corporate governance manual to communicate directly with the Audit Committee in the event of any irregularity discovered by them (whistle blowing).
 - Conduct special assignments as per the instructions/ requests from the Board.
- Any major/ critical issues are always discussed with the Executive Management and Audit Committee. Keeping in view the nature of the matter/ issue, the same may be communicated to the Board of Directors for necessary/ appropriate actions. Internal Control department periodically follow-up on such issues to ensure its implementation as per the guidelines of the Board/ Committees..
- Internal Control department has a process to perform an internal follow-up, performed on all observations raised by Internal Control department and update Audit Committee to the summary of observations for status on action by Management to update on implemented and non-implemented actions.
- Mr. Mohammed Valli joined the Company (Internal Controls Department) on 10th April 2014 as a Senior Internal Auditor (Acting Head of Internal Controls), subsequent to the resignation of previous auditor in March 2014. Mohammed Valli brings with him extensive/ diversified experience (more than 10 years) in terms of internal audit, internal controls, risk management, compliance and governance which spreads over different industry sectors such as shipping, transportation, marine services, port operations, manufacturing, FMCGs, pharmaceuticals, etc. He currently holds a certification for ACCA (Association of Certified Chartered Accountants), AFIA (Association of Forensic & investigative Auditors) and UAECA (United Arab Emirates Chartered Accountants).
- The Board had appointed Ms. Rawan Abdel Nour as Board Secretary & Compliance Officer on 06th October 2013 (resigned on 18th Jan 2015 and the management is actively searching for replacement). She holds a Bachelor degree in Law from Jordan University, as well Diploma in Insurance from BIBF (Certified from CII/ London), and served in several places as Legal & Compliance Counsel before joining Gulf Navigation Holding PJSC.

Corporate Governance Report – 2014

Gulf Navigation Holding PJSC

PO Box: 49651. Dubai – UAE

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12. VIOLATIONS COMMITTED DURING THE FINANCIAL YEAR 2014

No fines/ penalties have been imposed by SCA/DFM to the Company during the year 2014. However, SCA raised following queries/ concerns during the year via official letters duly received by the Company:

(i) Service charges on GNH Office premises:

- The office of GNH is rented from the previous Board member (Mr. Fahad Al Otaibi) at USD 200,000 per annum (approx. AED 734,000). Service charges incurred on the transaction amounting to AED 140,000 were paid by the Company.
- SCA issued a notification to the Company (dated 05th Mar 2014) which mentioned that the service charges should be paid by the owner (Mr. Fahad Al Otaibi) instead of the lessee (Company).
- The Company subsequently contacted Dubai Land Department, and it was informed that there is no violation since the contract executed between the land lord/ owner and the tenant (Company) explicitly stipulated that the service charges to be paid by the Company. The same had been communicated by the Company to SCA (vide letter dated 26th Jan 2015).
- The management will be more vigilant on such matters going forward and solicit legal opinions/consultations (where applicable) in order to protect/ work in the best interest of shareholders.

(ii) Audit fee for KSA Branch and Gulf Sheba Shipping Limited (Hong Kong):

- SCA had issued letter (dated 20th Aug 2014) to the Company informing that audit fee for all associates/ subsidiaries within the group must be presented to the shareholders (through AGM) for their approval, as per the Ministerial Resolution No. 518 of 2009.
- For the audit years 2012 & 2013, the Company had not presented/obtained approval (through AGM) for the audit fee pertaining to KSA Branch and Gulf Sheba which amounts to AED 242,000 approximately. The same shall now be duly presented to the shareholders for ratification during the next AGM.
- The management has taken corrective action whereby the audit fee (including the details of auditors) for all the subsidiaries within the group (GNH PJSC) shall be presented to the shareholders for their approval/ endorsement at the time of next AGM.

13. COMPANY CONTRIBUTION TO THE LOCAL COMMUNITY DEVELOPMENT AND ENVIRONMENTAL CONSERVATION DURING THE YEAR 2014

Application of the Best Practices, marine regulations and standards of security and safety for the Environment Protection is one of the priorities of Gulf Navigation Holding. All the ships owned by the Gulf Navigation has the highest specifications and standards of security, safety and protection of the environment and has been regularly evaluated for standards by many international bodies specialized, such as (Classification Associations, Flag State, and USCG).

It is Company policy not to dispose harmful substances to the environment such as leaks of oil and waste, prohibit use of certain paints and layers of marine protection toxic which are harmful to the environment. Also, GNH take measures and efforts to reduce the levels of emissions from Ship engines. The Company has adopted several procedures in order to ensure compliance with the marine standards and best practices for the protection of the environment.

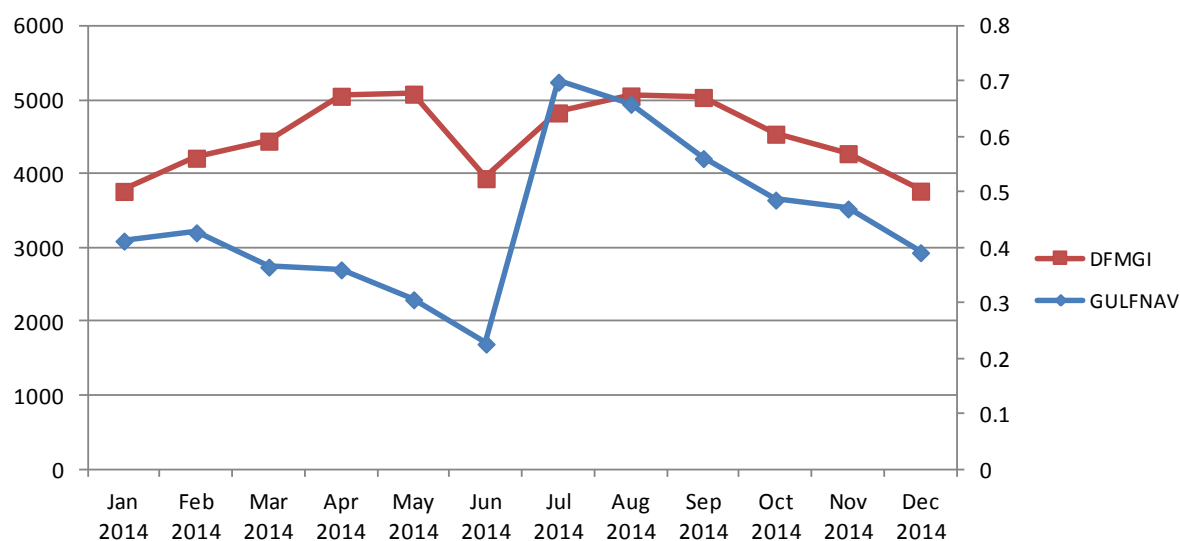
14. GENERAL INFORMATION

A. Company share prices (high/ low) at the end of each month during 2014.

Months (2014)	High (AED)	Low (AED)	Closing Price
January	0.460	0.366	0.413
February	0.548	0.370	0.428
March	0.528	0.350	0.366
April	0.435	0.315	0.361
May	0.382	0.300	0.307
June	0.331	0.227	0.227
July	0.827	0.220	0.700
August	0.710	0.641	0.660
September	0.660	0.540	0.562
October	0.567	0.391	0.487
November	0.615	0.451	0.471
December	0.505	0.335	0.392

*above data has been obtained from DFM.

B. Performance of company shares against market index (Dubai Financial Market General Index- DFMGI) and relevant industry sector for the year 2014



*above data has been obtained from DFM.

Note: comparison cannot be performed against industry sector index as GNH is the only maritime and shipping company listed on the DFM.

C. Shareholding structure as of 31st Dec 2014

Ownership/ Citizen	Individual	Bank	Company	Institution	Government	Total
Arab	12.5%	0.002%	0.6%	N/A	N/A	13.1%
GCC	15.8%	0.08%	7.8%	N/A	N/A	23.7%
UAE	51.4%	0.6%	5.3%	0.6%	0.04%	57.9%
Others	4.8%	0.5%	0.003%	N/A	N/A	5.3%
Total	84.6%	1.1%	13.7%	0.6%	0.04%	100%

*above data has been obtained from DFM.

D. Top 5% and above shareholding as on 31st Dec 2014

Investor Name	Investor No.	Ownership/Citizen	Qty Owned (#)	Qty Owned (%)
Ameer Naser Al Muhairi	6251545	Individual (UAE)	32,050,000	5.8%

*above data has been obtained from DFM.

E. Significant events which the Company has experienced during the year 2014 (excerpts).

1. Extraordinary General Meeting (EGM) was held on 5th Jan 2014 in which the shareholders approved the reduction in share capital by an amount of AED 1,103,333,334. Hence, the share capital of the Company as at 31st Dec 2014 amounted to AED 551,666,666 (previously AED 1,655,000,000).
2. SCA approved shared capital reduction through letter (dated 23rd Jun 2014) communicating Ministerial Resolution No. 396 of 2014.
3. Approval was given by SCA to increase the foreign ownership from 20% to 49%, through same letter (dated 23rd Jun 2014) communicating Ministerial Resolution No. 396 of 2014.
4. The increase in foreign ownership and reduction in share capital had been executed and reflected on Dubai Financial Market (DFM) subsequent to period end in July 2014, respectively.
5. The Company obtained shareholders' consent via EGM (held on 05th Jan 2014) to issue Mandatory Convertible Bonds (MCBs) of up to AED 476 million (USD 130m) in order to increase the share capital.
6. SCA formally approved to issue MCB's worth USD 60m for raising the capital, vide letter dated 14th October 2014. However, as of 31st Dec 2014, the Company has not issued any MCB's to investor/creditor/lender.
7. The company updated its Articles of Association in month July 2014 following approval from the SCA (Ministerial Resolution No. 396 of 2014) to take into account the amendments following reduction in share capital, increase in foreign ownership, etc.
8. VLCCs (Gulf Eyadah & Gulf Sheba) were sold in Feb 2014 with a total consideration of AED 368.2 million.
9. A new Board member (Mr. Mubarak Bin Fahad) was appointed on 15th March 2014 and the approval was sought through the AGM held on 5th April 2014. Mr. Mubarak replaced Ms. Sahia Ahmad (Board member and Chairman Audit Committee) who resigned in March 2014.
10. All material information is also being disclosed to the SCA/DFM and shareholders through periodic financial statements and/or separate disclosure during the year (where applicable).

Mr. Hazza Baker Al Qahtani
Chairman – Gulf Navigation Holding PJSC

Date: 14/2 / 2015

Company Stamp:

