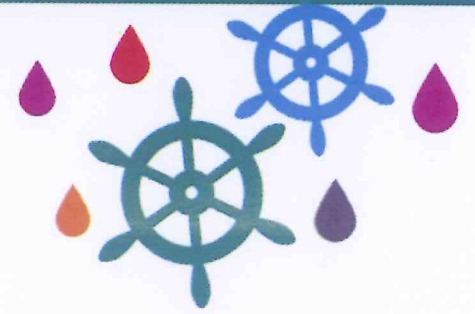




الخليج للملاحة القابضة (ش.م.ع.)
Gulf Navigation Holding PJSC



CORPORATE GOVERNANCE REPORT 2018

DFM: GULFNAV

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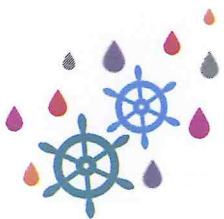
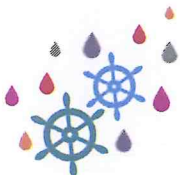


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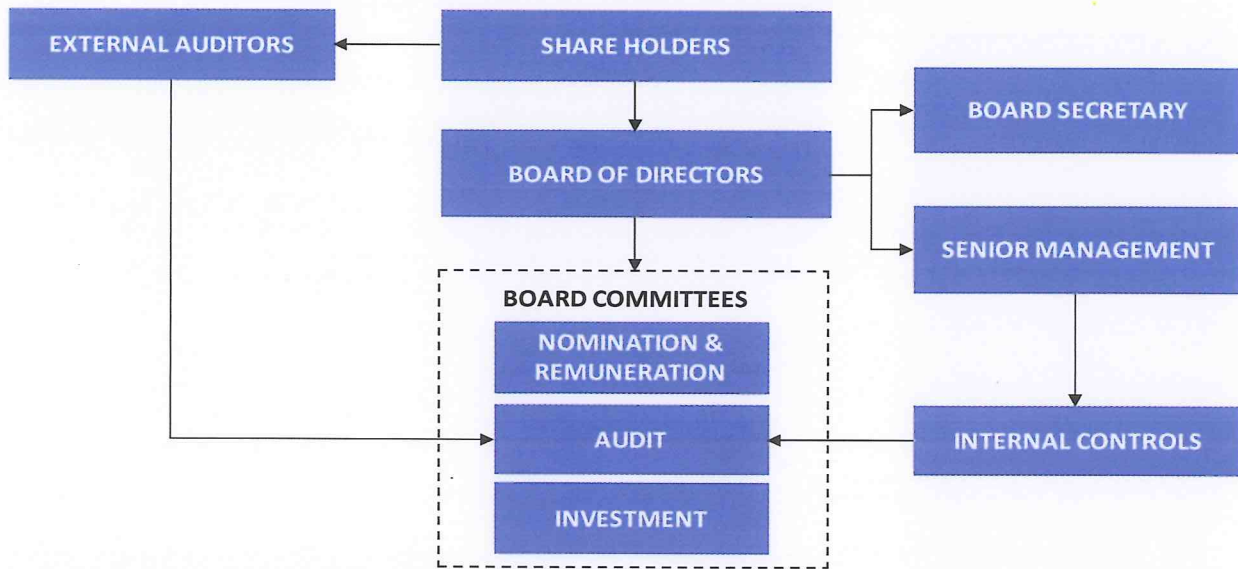


1. CORPORATE GOVERNANCE PRACTICES DURING 2018

- 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), i.e., 7 R.M of 2016 concerning the standards of institutional discipline and governance of Public Shareholding Companies.
- b) Adopting and implementing the corporate governance framework is a primary objective of both the Board of Directors (BoD) and the executive management; which helps to ensure compliance with the applicable rules, and regulations, transparency, disclosures, increase shareholder value, protect/safeguard the interest of stakeholders and mitigating business risks appropriately.
- c) GNH is fully committed to apply the corporate governance standards and other related best practices which have been diligently compiled and documented via ‘Corporate Governance Manual’, duly approved by the executive management and BoD. This manual governs the activities/functions of the Company and lays down clear framework, roles and responsibilities of the BoD and its Committees, relationship between the BoD and executive management including the delegations/powers to run the business, code of conduct, external auditors, internal controls environment, investor relations, etc.
- d) GNH rigorously adopts the required procedures/steps which bolsters the corporate governance mechanism within the group, such as (excerpts):
- Amendment of Articles of Association (AoA), where applicable.
 - Implementation of Corporate Governance Manual.
 - Board Committees as per the corporate governance requirements- Nomination and Remuneration Committee (N&R) and Audit Committee.
 - The Board and its Committees have adhered with the required number of meetings (including the duties and responsibilities) as required by the 7 R.M of 2016.
 - Procedures pertaining to the trading of Company’s securities have also been developed and followed in-line with the SCA guidelines.
 - Code of conduct for the BoD and employees have been developed and implemented.
 - Confidential reporting policy exists whereby staffs can directly communicate potential misconducts/ malpractices.
 - Annually, each board member acknowledges/declares his independency, board positions held in other companies and GNH shares trading transactions.
 - Company website exists with dedicated ‘investor relations sections’, where all the financial statements, disclosures, press releases, etc. are readily available for the stakeholders.
 - Internal Controls Department executes tasks/activities in accordance with the charter, policies and duties which are duly approved by the executive management and the Audit Committee.
 - Internal Controls Dept. has internally developed a checklist whereby compliance with the applicable SCA/DFM rules and regulations are reviewed/analyzed on an annual basis.



GNH – CORPORATE GOVERNANCE STRUCTURE



*Investment Committee was established through Board Resolution, dated 25th October 2017.

2. BOARD MEMBERS' SHARES TRANSACTIONS/DEALINGS DURING 2018 (including first degree relation)

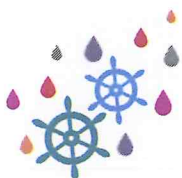
Board members are required to disclose their shares trading activities (including first degree relations) on an annual basis, through a pre-defined template/form. During the year 2018, GNH securities transactions of each board members (and their first degree relative) were as follows:

Name of Board Member	Position/Relationship	Total No. of shares Purchased	Total No. of shares Sold	No. of Shares Held as at 31 st Dec 2018
Mr. Abdulla Brook Al Hemeiri	No Transactions	N/A	N/A	N/A
Mr. Anas Atatreh	No Transactions	N/A	N/A	N/A
Mr. Ahmed Kilani	No Transactions	N/A	N/A	N/A
Mr. Mohammed Alhawari	No Transactions	N/A	N/A	N/A
Mr. Majid Al Shamrokh	Board Member	100,000	Nil	100,000
Mr. Abdul Rahman Al Afifi	No Transactions	N/A	N/A	N/A
Mr. Khamis Buamim	No Transactions	N/A	N/A	N/A

3. FORMATION OF BOARD OF DIRECTORS

A. Composition of the Board of Directors

The Board of Directors is responsible for the overall management of the Company. The Company Articles of Association sets out the way and method of election and composition of Board and the number of its members, as well as their term of office in compliance with governance requirements and applicable Commercial Companies Law. Board members are elected and appointed by the shareholders during the General Assembly meeting (GAM). The Board is also vested with Board authorities to attain the Company's goals and objectives in accordance with the Company's Article of Association.



The composition/qualification and profile of board members as at 31st Dec 2018:

Name	Mr. Abdulla Saeed Al Hameiri
Board Position	Chairman
Category	Non-Executive / Independent
Date of Appointment	07 th March 2016
Date of Resignation	Presently, board member
Membership/Position in other joint stock companies	N/A
Position in other important supervisory, government and business entities	CEO & Board Member- ABBCO Chairman- Bonyan International Investment Group Board Member- Dar Al Marifa, Tabarak Makkah & Madina, Prime, Al Ain University, Future Gas BVI

Qualification/Experience:

Abdulla Saeed Brook Al Hameiri belongs to the young generation of accomplished UAE Nationals. He has earned a Bachelor Degree of Business Administration from UAE University and completed certified courses and a diploma in Human Resources Management, Planning and Development, Operation Management, Commercial Strategies and Planning. He has also completed a course in IT from UAE University in 2002, a certificate from Zayed University from February 2007 till February 2008 and attended the Singapore Journey Civil Services in May 2007 and Executive Leadership Program in Abdu Dhabi Civil Service.

Abdulla Al Hameiri is holding several key positions in addition to owning a number of companies. Since February 2006, he is holding the position of CEO and Board Member of ABBCO, Chairman of Bonyan International Investment Group and Board Member in Dar Al Marifa, Tabarak Makkah and Madinah, Prime, Al Ain University of Science & Technology and Future Gate-BVI and many other successful companies that have operations in the MENA region. Abdulla Al Hameiri was the Head of Land and Property Division from November 2003 till February 2006 at the Department of Municipalities & Agriculture after serving as Land Registrar from July 2002 till November 2003. He also served on the Committee of Dispute Settlements, Higher Committee of Land, Land Evaluation and Residential Land, Low Cost Housing and Industrial Land Committee.

Abdulla Al Hameiri has developed an extensive Social and Business Network which played a role in developing his businesses from initial incorporation to acquire assets and facilitate access to large-scale projects. He has formed strategic ties with independent and commercial investors and finance providers to collaborate on real estate and development projects in the region, assisting in the diversification of the companies' services and portfolio and reviewing performance and forecasts.

Name	Mr. Anas Subhi Atatreh
Board Position	Vice Chairman
Category	Non-Executive / Independent
Date of Appointment	07 th March 2016
Date of Resignation	Presently, board member
Membership/Position in other joint stock companies	N/A
Position in other important supervisory, government and business entities	Vice Chairman – Wahat Al Zaweya LLC

Qualification/Experience:

Anas Subhi Ahmed Atatreh, Emirati National, is an entrepreneur with active interest in property development. Anas Atatreh is a co-founder of Bonyan International Investment Group best known for developing the Rose Rayhaan Tower, world's tallest hotel from 2009-2012 as per Guinness records. Anas Atatreh is currently holding the position of Vice Chairman of Wahat Al Zaweya LLC since 2014, managing one of the largest Real Estate development projects in the UAE. With his extensive experience in real estate development, international commercial law, private equity, executive team management and business development, Anas Atatreh has been involved in many innovative projects and held many important and vital roles in developing the business and reaching Board Management goals and visions. Prior to holding the position of Vice Chairman of Wahat Al Zaweya LLC, Anas Atatreh was holding the positions of Chief Executive Officer of Wahat Al Zaweya LLC from 2011 till 2013, Vice Chairman and Chief Executive Officer of Bonyan International Investment Group from 2005 till 2011 and General Manager of Bonyan International Investment Group from 2002 till 2004. Anas Atatreh is a board member from 2012 to-date in many companies, such as Tabarak Investment LLC, Dar Al Marefah Commercial Investment LLC, Wahat Al Zaweya LLC and Bonyan International Investment Group.

Anas Atatreh completed a Bachelor Degree in Accounting and MBA from Al Ain University, UAE.



Name	Mr. Ahmed Kilani
Board Position	Member
Category	Non-Executive / Non-Independent
Date of Appointment	07 th March 2016
Date of Resignation	Presently, board member
Membership/Position in other joint stock companies	Board Member- Drake & Skull International
Position in other important supervisory, government and business entities	CEO- Tabarak Investments

Qualification/Experience:

Ahmad Kilani is a well-versed finance professional with an overall experience of more than 14 years in finance, investment banking and corporate finance, in regional and local firms. The experience of Ahmad Kilani is diversified among sectors of energy, real estate, trading, manufacturing, construction, education and tourism. Throughout his career, Ahmad Kilani managed several transactions including IPOs, mergers and acquisitions, private placements, restructuring and equity valuations.

Ahmad Kilani started his career in Jordan at Jordinvest as an Assistant Vice President managing and dealing with all kinds of investment banking and corporate finance transactions. At Jordinvest, Ahmad Kilani was also responsible for providing clients with different advisories related to valuation, mergers and acquisitions, equity and debt raising, divestitures, restructuring and private placements through different financial instruments. Ahmad Kilani was also leading and managing IPOs in addition to governmental advisories especially in the privatization side.

Upon relocating to the UAE, Ahmad Kilani headed the Investments Department at Bonyan International Investment Group where he was responsible for managing a huge investment portfolio comprised of investments in real estate, industrial, services, transportation, healthcare and financial sectors. Ahmad Kilani later joined Prime Investment Group as Vice President Finance and Investments managing deals and road shows for Private Placements. Prime Investment Group is a listed company on the Secondary Market in London. Ahmad Kilani is currently the CEO of Tabarak Investment, a UAE-based private equity vehicle, responsible for setting the investment strategy of the company and managing and negotiating deals in the education, energy, construction and food security sectors. In addition, Ahmad Kilani currently serves as board member in Drake & Skull Int'l.

Ahmad Al Kilani earned a Bachelor in Accounting, Finance and Banking in 2002 from Yarmouk University in Jordan and an MBA in Finance in 2007 from the University of Jordan. Ahmad Kilani further progressed his academic and professional accreditation by completing several professional Certificates: Certified Management Accountant in 2006, Certified Financial Manager in 2007 and is currently completing a certification in Financial Analysis.

Name	Mr. Majid Al Shamrokh
Board Position	Member
Category	Non-Executive / Independent
Date of Appointment	07 th March 2016
Date of Resignation	Presently, board member
Membership/Position in other joint stock companies	N/A
Position in other important supervisory, government and business entities	CEO- ARMS Trading & Investment Co.

Qualification/Experience:

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.



Name	Mr. Mohammed Alhawari
Board Position	Member
Category	Non-Executive / Independent
Date of Appointment	07 th March 2016
Date of Resignation	Presently, board member
Membership/Position in other joint stock companies	Managing Director and Board Member- Takaful Emarat Insurance (P.S.C),
Position in other important supervisory, government and business entities	N/A

Qualification/Experience:

Mohammad Alhawari belongs to a young breed of accomplished UAE Nationals. He currently serves as Executive Board Member & Managing Director of Takaful Emarat Insurance (P.S.C), and was appointed to the business with a strategy and investments remit and brings a wealth of multinational experience having held senior positions since 2001 at Citibank, Dubai Holding and most recently in 2010 at Mubadala-GE Capital where he was selected to join GE's renowned Experienced Commercial Leadership Program TM.

Mohammad also holds the following certificates: MBA in International Business Administration from Ecole Nationale des ponts et chaussées, Paris/France, bachelor's degree in business and Administration, Specialization "Accounting and Finance" from American University in Dubai – UAE and Higher Diploma in Concentration Accounting from Dubai Men's College – Dubai

Mohammed Alhawari was holding a number of high-rank positions prior to joining Takaful Emarat. During 2013, he was Sponsor Finance Leader then Market Finance Sponsor at GE Capital. From 2010 to 2013, he was Senior Associate at the Investment Department of GE Capital-Mubadala Joint Venture. From 2008 to 2010, he was Real Estate Investments Manager at the Investments Department of National Bonds Corporation. From 2006 to 2008, he was Senior Real Estate Analyst at the Strategy and Business Development Unit of Dubai Properties Group. Finally, from 2001 to 2004, he was Personal Banker, Customer Relationship Manager and Finance Assistant Manager at Citibank.

Name	Mr. Abdul Rahman Al Afifi
Board Position	Member
Category	Non-Executive / Independent
Date of Appointment	25 th March 2018
Date of Resignation	Presently, board member
Membership/Position in other joint stock companies	N/A
Position in other important supervisory, government and business entities	CEO – TMKN Group GM – Office of HH Sheikh Tahnoon Al Nahyan

Qualification/Experience:

Mr. Al Afifi is an entrepreneur and driven Chief Executive, with more than ten (10) years of progressive management experience. He has extensive experience with highly management systems, which require deep understanding of critical business drivers in multiple markets and industries; highly successful in building relationships with upper-level decision makers, seizing control of critical problem areas, and delivering on customer commitments.

As GM / CEO of H.H Sheikh Tahnoon Bin Mohammed Al Nahyan's Office, Mr. Al-Affifi achieved year-after-year revenue and business growth objectives within a rapid-change environment with high professionalism in strategic and implementation planning and guiding and directing the organization through substantial change management utilizing strong and effective strategic leadership. To become a recognized example proven strong ability to solve complex company problems using excellent judgment and decision-making skills.

Mr. Al Afifi is presently working as a CEO of TMKN Group - Abu Dhabi. Under Private Office of H.H. Sheikh Tahnoon Bin Mohammad Al Nahyan, he is working to manages and directs all business units of TMKN group of companies; Champions the introduction of quality, cost reduction and continuous best practices to drive market growth; and he has a full responsibility for approving business plan and growth strategy, defining offerings and delivery models, establishing partnerships, and building operating infrastructure; develops vision, mission and goals, identify profitability and revenue opportunities, define critical goals and success factors, establish clear objectives and practical action plans, foster innovation and risk taking, build teams, and establish relationships with vendors and partners. Manages a team of different business units, product managers, business development specialists, and operations / logistics personnel.

Al-Affifi has been appointed to the private office of H.H Sheikh Tahnoon Bin Mohammed Al Nahyan. He has been an Architectural Engineer and project manager for years. He has been able to manage strategic plans and develop work plans efficiently and professionally.

He completed his MBA from UAE University (Al Ain) and currently pursuing PhD in Project Management.



Name	Mr. Khamis Juma Buamim
Board Position	Board Member, Managing Director & Group CEO
Category	Executive / Non-Independent
Date of Appointment	19 th April 2016
Date of Resignation	Effective 01 st Jan 2019
Membership/Position in other joint stock companies	Board Member- Drake & Skull International
Position in other important supervisory, government and business entities	Chairman- Dubai Council for Marine & Maritime Industries (DCMMEmirates). Chairman- Federal Committee for the Revision & Updates of UAE Maritime Law Member- Dubai Government Crises & Disaster Management Team. Member- Advisory board of TASNEEF Vice Chairman- FTA Technical Committee
Qualification/Experience:	
<p>Mr. Buamim is the Chairman of the Dubai Council for Marine and Maritime Industries (Dcmmiemirates), the specialized industry council (non-profit trade and industry) and it was formed to promote the interests of the offshore and maritime industry in Dubai and the UAE. He is also the Chairman of the Federal Committee for the Revision and Update of the UAE Maritime Law, the committee was created to review and update the UAE Commercial Maritime Law and formulate a new & futuristic law that will propel and govern the ongoing potential growth of business and the maritime industry in the UAE and the region.</p> <p>Mr. Buamim is the former Chairman and Chief Executive officer of Drydocks world and Maritime world and Chairman of the Board of DDW-PaxOcean Asia pte æ€" Singapore and has successfully led the organization through its restructuring during the global financial crisis. His leadership and direction have been instrumental in the company being able to acquire several pioneering projects on a global scale. This leadership has seen the company move from close to financial failure, create major synergies, recognize potential and place the organization firmly on a path driven to sustainable profitability and growth.</p> <p>Mr. Buamim is a Leading veteran in the oil and gas industry worked with Conoco and ConocoPhillips for 26 years and held various corporate and management positions, including vice president of Dubai oil company (DPC), a subsidiary of ConocoPhillips in the United Arab Emirates. He was also the President and Chief Executive Officer of Regional Clean Sea Organization (RECSO) the oil industry environmental arm in the Gulf region. Mr. Buamim is also involved in a number of leading private & public organization, he is member of the Dubai Government Crises and Disasters Management Team, member of the Advisory board of Emirates Classification Society (Tasneef), Vice Chairman of the Federal Transportation Authority Technical Committee, Advisor to the Career Gulf Development and Senior Advisor in the Middle East and North Africa- Business strategies & International Energia, and board member at Drake & Skull Int'l.</p>	

B. Female component in the Board during the year 2018

None

C. Reasons for not nominating any female to the Board's membership

Nomination form of a female candidate was received at the time of board elections in March 2016, but she was not elected by the shareholders. Hence, there is no female representative in the GNH Board as at 31st December. The existing board is striving to identify/nominate the suitable candidate, with relevant experience and credentials.

D. Statement regarding:

1. Directors' remuneration for the year 2017

The total remuneration for the Board of Directors amounted to AED 600,000 for the year 2017, as ratified by the General Assembly Meeting held on 24th April 2018.



2. Proposed BoD remuneration for 2018 which will be presented in the General Assembly Meeting for approval

The Board shall not receive any remuneration for the year ended 2018, as the company reported loss.

3. Allowances for attending board committee meetings, during the year 2018

The Board is only entitled for annual remuneration, based on general assembly resolution. Board members do not get any allowance/fee for attending the committee meetings.

E. The number of board meetings held during the year 2018, along with dates/attendance & proxies

Meeting No./Dates	Mr. Abdulla Al Hameiri (Chairman)	Mr. Anas Atatreh (Vice Chairman)	Mr. Ahmed Kilani	Mr. Mohammed Alhawari	Mr. Magid Al Shamrokh	Mr. Khamis Buamim	Mr. Abdul Rahman Al Afffi
1/6-3-18	✓	✓	✓	✓	✓	✓	N/A
2/25-3-18	✓	✓	✓	✓	✓	✓	✓
3/14-5-18	✓	✓	✓	✓	✓	✓	✓
4/14-7-18	✓	✓	✓	✓	✓	✓	✓
5/13-11-18	X*	✓	✓	✓	✓	✓	✓
6/19-11-18	✓	✓	✓	✓	✓	✓	✓
MEETINGS HELD VIA CIRCULATION							
1/14-2-18	✓	✓	✓	✓	✓	✓	✓
2/13-8-18	✓	✓	✓	✓	✓	✓	✓
3/6-12-18	✓	✓	✓	✓	✓	✓	✓
4/26-12-18	✓	✓	✓	✓	✓	✓	✓

*Mr. Abdulla (Chairman) did not grant proxy to any board member.

F. Tasks and functions carried out by the Executive Management as delegated by the Board of Directors

The Board have delegated powers to Mr. Khamis Buamim in his capacity as the board member, MD & Group CEO to lead the organization and manage day-to-day business/ operational affairs, along with the required power of attorney duly notarized by the Notary Public of Dubai-UAE which includes the representing the Company before all competent authorities, executing agreements/contracts, bank transactions, etc.

MD have further delegated the same powers of authority to the President for effective/efficient running of the day to day business activities.

The Managing Director & Group CEO and the President achieves the work assigned to him, as well as the targets/objectives set by the Board and ensures that all departments are managed effectively in terms of resources, operations and profitability. The MD & Group CEO and Executive Management is responsible to attain the vision, mission, strategic plans, expansions/growth and improve the overall image and reputation of the group.



G. Related Party Transactions

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities that has control, joint control or significant influence over the group. Pricing policies and terms of these transactions are approved by the Group’s management. Determination of which relationships and transactions qualify for related party disclosure is done as part of the preparation of consolidated financial statements.

- During the year 2018, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions:

Related Party Balances:

2018
AED'000

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

Current:

1,017

Gulf Stolt Tankers DMCCO (Joint venture)

This represents advances made to Gulf Stolt Tankers DMCCO in 2009 and 2010 for which no settlement had been previously planned and hence was included in the carrying amount of the Group’s investment in said joint venture.

Key Management Remuneration:

2018
AED'000

Salaries, benefits and directors’ fees *

6,294

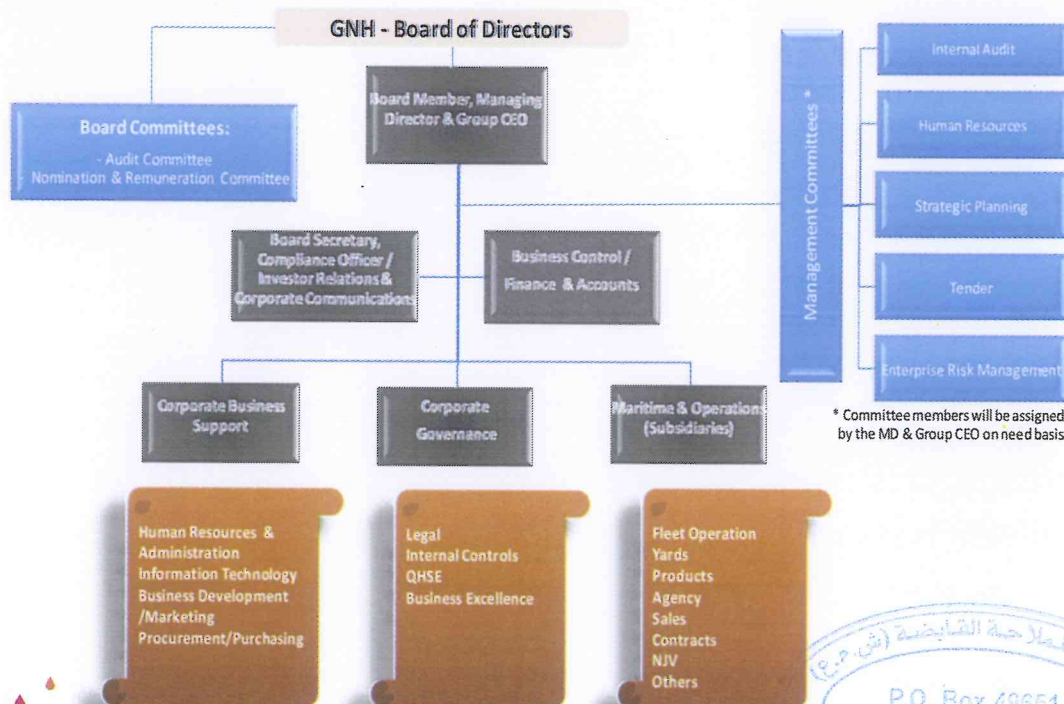
End of service benefits

74

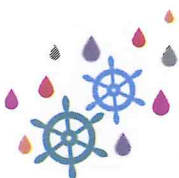
*The key management remuneration excludes expenses reimbursed amounting to AED 169,000.

- During the year 2018, the group issued convertible sukuk to the related party (Wahat Al Zaweya), amounting to AED 100,000,000.

H. Company’s organizational structure



* Committee members will be assigned by the MD & Group CEO on need basis

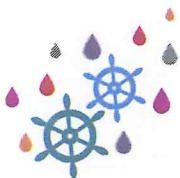


I. Statement of senior personnel (executives) in the first and second tier, along with their job titles, appointment date, salaries and allowances as at 31st December 2018:

Title	Date of Appointment	Salaries & Allowances (AED)	Bonus (AED)	Cash/in-kind Benefits (AED)
Board Member, MD & Group CEO *	13-04-2016	2,955,389	Nil	Nil
President- Maritime & Marine Operations	29-05-2016	2,082,483	366,000	Nil
Chief Finance Officer	06-08-2018	417,257	Nil	Nil
General Manager- GSM	24-04-2018	429,651	Nil	Nil
General Manager- GNPM	09-01-2017	368,057	Nil	Nil
General Manager- KSA Branch	01-07-2009	342,884	Nil	Nil
Head of Internal Controls **	10-04-2014	287,030	Nil	Nil
General Counsel	01-11-2018	120,460	Nil	Nil
Board Sec. & Compliance Officer/IR & CC	16-05-2017	313,750	Nil	Nil
Legal Advisor	18-04-2016	242,750	Nil	Nil

* Resigned, effective 01st Jan 2019.

**Internal Audit, Risk Management, Compliance and Corporate Governance



4. EXTERNAL AUDITORS

A. Overview of the External Auditor

Ernst & Young (EY) was re-appointed by the shareholders through General Assembly Meeting held on 24th April 2018, as the external auditor for the group. EY is a global leader in assurance, tax, transaction and advisory services. The MENA practice of EY has been operating in the region since 1923. For over 90 years, EY have grown to over 6,000 people united across 20 office and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization EY continue to develop outstanding leaders who deliver exceptional services to the clients and who contribute to the communities.

B. Appointment, fees and services

The shareholders resolved to appoint EY as the external auditors for GNH and subsidiaries, with a total remuneration amounting to AED 589,000. In addition, the shareholders also approved the appointment of other audit firm/s for the KSA Branch and group companies for AED 81,894.

Details about the external audit firms, fees and scope of services are briefly explained in the table below:

Audit Firms/Consultants	EY	Saudi Accountants	Excellence	Crowe Horwath
Group companies	Gulf Navigation Holding PJSC Gulf Ship Management Co. LLC Gulf Navigation Polimar Maritime LLC Gulf Navigation Mirdif Limited Gulf Navigation Maritime and Operations Management owned by Gulf Navigation Holding LLC	GNH- KSA Branch	Gulf Navigation Group FZCO Gulf Nav Ship Management FZE	Gulf Navigation Holding PJSC
Associated since (year)	2016	2016	2016	2018
Total audit fees for the financial statement	AED 528,500 excluding translation charges of the financial statements into ARABIC (AED 23,000)	SAR 45,000	AED 4,700	N/A
Fees and costs of the special services, other than audit of financial statements	AED 75,000	SAR 39,000	AED 1,500	AED 90,000
The details/nature of other services	Verification of the subscription applications with respect to the offer to sell shares in a rights issue.	KSA monthly VAT preparation and submission and annual filing of annual tax	Liquidation report for Gulf Ship Management DMCC	VAT assessment and filing/submission to the authorities
Statement of other services obtained from another external auditors/ consultants	N/A	N/A	N/A	N/A

Qualified opinions were not issued/given by the auditors for the financial period 2018.



5. AUDIT COMMITTEE

A. Statement of Audit Committee members and their tasks/duties

The Audit Committee is composed of the following members as of 31st Dec 2018:

Name of Board Members	Position	Status
Mr. Mohammed Alhawari	Chairman	Independent/Non-Executive Directors
Mr. Ahmed Kilani	Member	Non-Independent/Non-Executive Directors
Mr. Magid Al Shamrokh	Member	Independent/Non-Executive Directors

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, Internal Auditors 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 annual and quarterly financial statements before recommending to the Board for approval.
- **Relationship with the external auditors**
 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 provide 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 2018 along with the dates/ attendees

Name of Board Member	25 th Mar	14 th May	13 th Aug*	13 th Nov
Mr. Mohammed Alhawari – Chairman	✓	✓	✓	✓
Mr. Ahmed Kilani	✓	✓	✓	✓
Mr. Magid Al Shamrokh	✓	✓	✓	✓

*Held via circulation

6. NOMINATION AND REMUNERATION (N&R) COMMITTEE

A. Statement of N&R Committee members and their tasks/duties

The N&R Committee is composed of the following members as of 31st Dec 2018:

Name of Board Members	Position	Status
Mr. Anas Atatreh	Chairman	Independent/Non-Executive Directors
Mr. Ahmed Kilani	Member	Non-Independent/Non-Executive Directors
Mr. Mohammed Alhawari	Member	Independent/Non-Executive Directors

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 2018 along with dates/ attendees

Name of Board Member	25 th Mar	23 rd Dec
Mr. Anas Atatreh – Chairman	✓	✓
Mr. Ahmed Kilani	✓	✓
Mr. Mohammed Alhawari	✓	✓

7. INSIDERS' TRADING, FOLLOW-UP AND SUPERVISION COMMITTEE

At GNH, there are set of guidelines for Board Members and employees with respect to transactions in GNH shares as well as securities of the parent company, subsidiaries and associate companies (where applicable). This policy is reviewed periodically as part of Company's Corporate Governance Manual and revised in accordance with the latest/updated versions of the SCA's "Regulations as to Disclosure and Transparency" (where applicable). As per the policy, an employee who is familiar with the important, 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 blackout period (or restricted period) as defined by the SCA rules and regulations.

The Company has formed a committee with senior management employees to review and monitor the insiders' shares trading (of board members and employees) on an annual basis (or when needed). The Committee comprises of three members: **(a)** Mr. Mohammed Valli – Head of Internal Controls, **(b)** Ms. Reena Sebastian – Legal Advisor and **(c)** Ms. Mai Sadaqa – Senior Governance Officer (Board Secretary/Investor Relations/Corporate Communication/Audit).

The following tasks have been performed by the Committee during the year 2018:

- Maintenance and regular update of a statutory register of insiders.
- Formally intimate the insiders of the relevant closed periods to ensure that no trading is done by them during restricted periods.
- Obtained declaration from the insiders and the other staff on their shares trading, on an annual basis.

8. OTHER COMMITTEES FORMED/APPROVED BY THE BOARD

Investment Committee was formed in Oct 2017, following board resolution. The Committee comprises of Board member, MD & Group CEO (Mr. Khamis Buamim), Board Member (Mr. Ahmed Kilani) and President Maritime & Operations Management (Mr. Omar Abu Omar).

The primary tasks of the committee include new ventures/projects, investment opportunities, expansions/growth, cashflow forecasts, strategy reviews, etc. The committee met once during the year 2018 (11th June 2018) and all members attended the meeting.



9. INTERNAL CONTROLS SYSTEMS

a. **Board's responsibility with respect to the internal controls' system, its effectiveness and review mechanism**

b. **Dealing with major/ critical problems in the Company**

c. **Name of the Internal Control Department Manager with the qualification**

d. **Name of the Compliance Officer with the qualification**

- The board has the overall responsibility for ensuring adequate internal control systems/ framework within the company.
- Board reviews the Internal Control deliverables through Audit Committee- highlighting matters discussed and resolutions passed after each meeting of Audit Committee in terms of internal audit assignments, audit follow-ups, special assignments, compliance audit, risk management and governance.
- The Internal Control Department (ICD) reports directly to the MD & Group CEO and Board, operating under the stewardship of the Audit Committee. This enables Internal Control to function in an independent and objective manner.
- ICD executes its duties in accordance with the Charter and policies of Internal Controls Dept. which is duly approved by the Audit Committee. Briefly, ICD is responsible for the following tasks/ activities (but not limited to):
 - Develop and execute annual risk-based internal audit plan which is duly approved by the MD & Group CEO and the Audit Committee.
 - Conduct enterprise risk assessment on a periodic basis in order to identify, assess and evaluate the risks surrounding the organization. Accordingly, direct audit resources at high/key risk areas and processes in order to review, recommend and perform follow up on a regular basis to ensure risk appetite of Company is kept at an acceptable level.
 - Submit comprehensive audit reports to the MD & Group CEO and Audit Committee, providing overview of effectiveness of internal controls/reasonable assurance over operating effectiveness of controls, improvement opportunities identified, value additions, observations/weaknesses, etc.
 - Provide the necessary support to the executive management to identify and evaluate the risks facing the organization and business processes, highlight improvement opportunities and other advisory/ management consultation and support activities as deemed necessary.
 - Conduct special assignments/investigations as per the requests from the executive management and/or the Board.
 - Ensure compliance with the applicable rules, regulations and legislations issued by the Securities and Commodities Authority (SCA), Dubai Financial Market (DFM), Commercial Companies' law, etc.
 - Establish mechanism for employees to communicate irregularities discovered by them (whistle blowing/ confidential reporting).
 - Perform independent overview/analysis over the financial statements and present the same to the executive management and the Audit Committee along with the audit inputs/comments, variance justifications and commentaries.



- Major/critical issues (if any) are being immediately discussed and reported to the executive management, and the Audit Committee (where appropriate). Internal Control department actively follow-up on such major issues to ensure its timely and proper implementation. During the year 2018, no significant/critical audit observations were noted.
- ICD has a formal mechanism to follow-up the implementation of the audit findings identified during audit engagements and accordingly apprise the executive management and the Audit Committee with the status (open/ closed, justifications by the process owners, etc.) on a quarterly basis.
- ICD is headed by Mr. Mohammed Valli who brings with him extensive and diversified experience of more than 14 years in terms of internal audit, risk management, internal controls, compliance and corporate governance spanning across different industry sectors such as shipping/maritime, transportation, manufacturing, FMCGs, pharmaceuticals, petrochemicals, etc. Mr. Valli is associated with the group since April 2014. He currently holds certifications from ACCA (Association of Certified Chartered Accountants), AFIA (Association of Forensic & investigative Auditors) and UAECA (United Arab Emirates Chartered Accountants).

10. VIOLATIONS COMMITTED DURING THE FINANCIAL YEAR 2018

No fines/penalties were imposed by SCA/DFM during the year 2018.

11. COMPANY'S CASH AND/OR IN-KIND CONTRIBUTION TO THE LOCAL COMMUNITY DEVELOPMENT AND ENVIRONMENTAL CONSERVATION DURING THE YEAR 2018

- All the ships owned by the Gulf Navigation are of highest specifications and in compliance; where possible exceeding all relevant national, international and statutory environmental legislation and regulations.
- Environmental issues are incorporated into business planning of all GNH activities to ensure adequate and appropriate measures are employed to protect the environment both ashore and at sea which includes prohibition of certain paints which are harmful to the environment and denizens of the sea.
- GNH is committed to preventing and eliminating pollution in all forms and to implement measures to continually improve our environmental performance.
- Memorandum of Understand (MoU) was signed with "Jordan Academy for Maritime Studies (JAMS)" with the objective to have an effective bilateral and long-term relationship in terms of maritime academic education, exchange of latest and up-to-date industry knowledge, techniques/innovations and developments, thus overall contributing to advancing progress in the maritime sector.
- GNH believes in creating 'in-country value', where expertise are primarily engaged through local (UAE) maritime community with respect to technical studies, engineering, product development, etc.
- Our top leadership actively participates in maritime conference/seminars (as a key note speakers) to share their experience, knowledge, market outlook, ideas and overall maritime industry related matters which creates awareness and contributes to the development of maritime community.



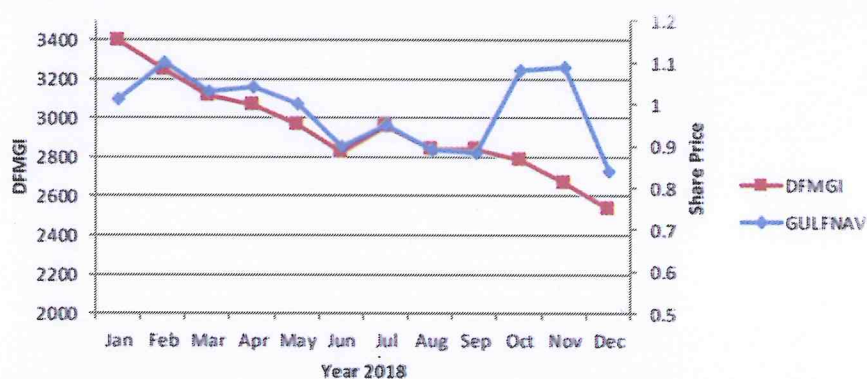
12. GENERAL INFORMATION

A. Company share prices (high/low/closing) at the end of each month during 2018

Months (2018)	High (AED)	Low (AED)	Closing Price (AED)
January	1.310	1.010	1.010
February	1.130	0.910	1.100
March	1.100	1.000	1.030
April	1.080	1.020	1.040
May	1.040	1.000	1.000
June	1.040	0.838	0.900
July	1.070	0.770	0.949
August	0.959	0.890	0.890
September	1.020	0.861	0.885
October	1.170	0.888	1.080
November	1.160	1.040	1.090
December	1.110	0.720	0.840

*above data has been obtained from DFM.

B. Performance of company shares against Dubai Financial Market General Index (DFMGI) for the year 2018



*above data has been obtained from DFM.

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

C. Distribution of the shareholding structure as of 31st Dec 2018

Ownership/ Citizen	Individual	Bank	Company	Institution	Government	Total
Arab	8%	-	0.1%	-	-	8.1%
GCC	6.8%	-	3.6%	-	-	10.4%
UAE	25.6%	4.9%	48.4%	0.1%	-	79 %
Others/Foreign	2%	0.4%	-	-	-	2.4%
Total	42.4%	5.3%	52.1%	0.1%	-	100%

*above data has been obtained from DFM. [Total- rounded off]



D. Top 5% and above shareholding as on 31st Dec 2018

Individual/Group Investors (Shareholders)	Qty Owned (No.)	Qty Owned (%)
Goldilocks Investment Company Limited	133,159,470	14.50%
Ajman Bank PJSC ¹	167,500,800	18.22%
Ahmad Abdulla Ahmad AlJaziri AlTamimi	58,780,956	6.40%

*above data has been obtained from DFM

¹Full rights as principle shareholder: Tabarak Investments – 14.95% / Goldilocks Investment – 3.25%

E. Shareholding distribution based on volume as on 31st Dec 2018

Share Ownership Volume (Qty)	No. of Shareholders	No. of Shares Owned (Qty)	% of Owned Shares in the Company Capital
Less than 49,999	10,905	42,860,261	4.7%
50,000 – 499,999	366	52,605,105	5.7%
500,000 – 4,999,999	76	104,901,877	11.4%
Above 5,000,000	26	718,842,007	78.2%
TOTAL	11,373	919,209,250	100%

*above data has been obtained from DFM

F. Investor Relations

The Company ensures that appropriate/experienced candidate is appointed on such a position, who is deft with the regulations and statutory requirements. A bilingual employee with fair knowledge of group's business and financial affairs is being appointed to manage the investor relations, corporate communications, compliance and board secretarial tasks.

The Shareholders are able to contact and obtain necessary information about the company (and shares) from the Investor Relations Officer via telephone number **+971 4 4270104**, email at investor.relations@gulfnav.com, and website at www.gulfnav.com. The company's website also features 'investors relation' section, whereby stakeholders can have easy access to the financial statements, governance reports, annual reports, company disclosures, general assembly meetings, board meetings, unclaimed dividends list, etc.



G. General Assembly – special resolutions during 2018 and its implementation status

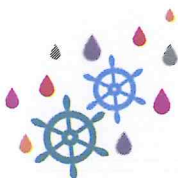
GA Date	Special Resolution/s (Brief Description)	Status/Actions as at 31 st Dec 2018
24 th Apr 2018	General assembly accepted the board's proposal/recommendation to withdraw the previous resolution regarding the issuance of senior and unsecured sukuk amounting to USD 250 million redeemable within five years, at profit rate less than 10%.	No actions required.
15 th Nov 2018	Issuance of convertible Islamic sukuk for a value of AED 100 million, through private placement to Wahat Al Zaweya Investment & Real Estate Development LLC, in accordance with approved terms and conditions.	Sukuk were issued on 18 th Nov 2018.
	For the purpose of sukuk conversion into shares, consider the increase of authorized share capital to AED 1,019,209,250.	Shareholders approved to increase the authorized share capital of the company. All the necessary procedures for conversion of sukuk into shares were completed by 28 th Feb 2019.

H. Name and appointment of board secretary

Ms. Mai Sadaqa – Senior Governance Officer (Board Secretary/Investor Relations/Corporate Communication/Audit), joined in May 2017.

I. Significant events during the year 2018 (excerpts).

- Increase of company's share capital to AED 919,209,250, through rights issue.
- Authorized share capital was further increased to AED 1,019,209,250 through general assembly meeting, dated 15th November 2018,
- Appointment of Sharia Advisors, (i) Mr. Abdul Nasser Al Manai, (ii) Mr. Mian Mohammed Nazir and (iii) Mr. Fadel Rahim Abdul Rahim.
- Appointment of board member (Mr. Abdulrahman Mahmoud Al Afeefi), to fill the vacant position.
- As per Board recommendation/proposal, the shareholders withdrew their previous resolution regarding issuance of senior unsecured sukuk for USD 250 million.
- Legal settlement with the Chinese ship yard, by paying off USD 8 million (against USD 19 million).
- Issuance of Islamic convertible sukuk for a value of AED 100,000,000 through private placement to Wahat Al Zaweya Investment & Real Estate Development LLC.
- Acquisition of four (4) livestock vessels, amounting to AED 420 million.
- GNH appointed Al Ramz Capital as liquidity provided on 5th Feb 2018, which was later terminated on 23rd October 2018.
- Goldilocks investment company acquired 18.32% of company's share capital (which includes 4.68% held under Mashreq Securities).



- During the year, Tabarak Investment group shareholding reduced from 32.4 % to 19.4% (which includes 18.2% registered under Ajman Bank).
- Resignation of Board Member, Managing Director & Group CEO (Mr. Khamis Buamim), effective from 01st Jan 2019.
- All material information/press release/disclosures are also being timely published to the SCA/DFM and company websites, please refer in case of further details.

J. Percentage of Emiratization at the company by the end of 2018

During the year 2018, the company's headcount includes following UAE National:

Mr. Khamis Buamim – Board Member, Managing Director & Group CEO (resigned, effective 01st Jan 2019)

The group recognizes the importance to recruit (and retain) Emirati workforce and aims to increase the number of Emiratis in various roles/positions within the organization.

K. Statement of the innovative projects undertaken by the company (or under development) during 2018

As part of the company's strategic objectives, mission/vision and expansion plans, several other innovative projects are also under progress which ultimately aims to increase operational excellence, enhance business performance, costs effectiveness, achieve sustainability, quality; thus, leading to the overall growth of the organization and shareholder value.

On-going projects onboard the vessels:

- Exhaust gas cleaning system (scrubber) to meet the upcoming regulation of IMO with respect to low sulphur fuel oil requirement.
- Water ballast treatment system.
- Cyber security onboard the vessel.
- Energo pro fins fitted on the vessel's propeller boss – to reduce the load on the engine and thus increasing the overall efficiency and reduced fuel consumption.
- Bunker management system – mass flow meter fitted on the fuel oil and diesel oil line to monitor and measure the accuracy of bunker quantity intake.
- Torque and KW meters fitted on the main engine shaft to provide accurate fuel consumption; this will assist to determine the vessel performance.
- Cylinder lubrication system upgrade – electro mechanical type of lubrication system to monitor and control the cylinder lube oil consumption.
- Air guard seal type stern tube - to comply with USCG requirement and in order to prevent oil pollution.
- Danaos PMS system – incorporating Purchase, Finance, PMS, Certification, Noon and Defects reporting in one single integrated system.


Mr. Abdulla Bin Brook AlHemeiri
Chairman – Gulf Navigation Holding PJSC

