

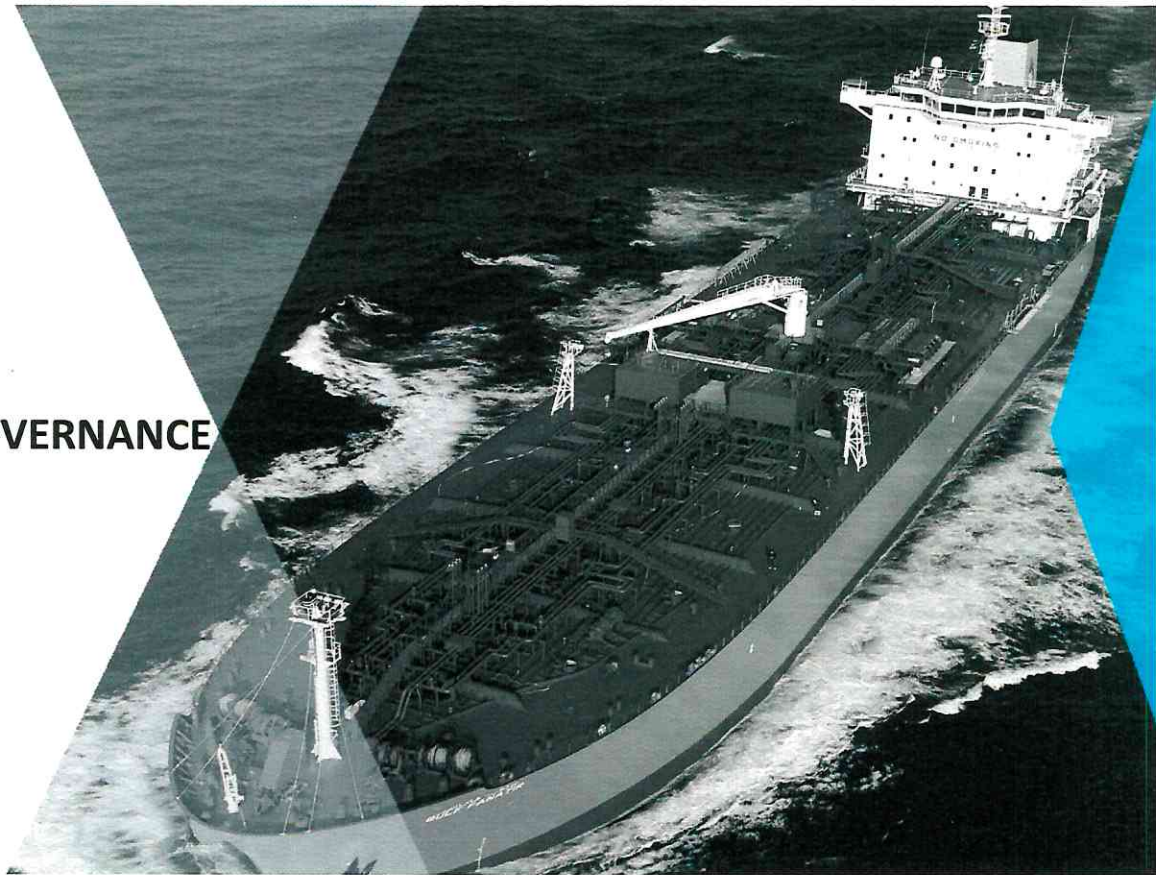


الخليج للملاحة القابضة ش م ع  
Gulf Navigation Holding PJSC

## CORPORATE GOVERNANCE REPORT 2016

DFM: GULFNAV  
DUBAI, UAE

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## 1. CORPORATE GOVERNANCE PRACTICES DURING 2016

- 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 carefully 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 stated 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 its 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 rules and regulations are reviewed/analyzed on an annual basis, followed by the audit report to the executive management.









### **Qualification/ profile of the Board Members**

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

#### **1. Mr. Abdulla Brook Al Hemeiri – Chairman of GNH PJSC**

Abdulla Saeed Brook Al Hemeiri 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 Hemeiri 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 Hemeiri 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.

Abdulla Al Hemeiri 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.

#### **2. Mr. Anas Subhi Atatreh – Vice Chairman of GNH PJSC/Chairman N&R Committee**

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 earned a Bachelor Degree in Accounting from Al Ain University, UAE, and Master of Business Administration (MBA) from Al Ain University, UAE.

#### **3. Mr. Ahmed Kilani – Member Audit Committee/Member N&R Committee**

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 Takaful Emarat PJSC.

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.

**4. Mr. Mohammed Alhawari – Chairman Audit Committee/Member N&R Committee**

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 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.

**5. Mr. Magid Al Shamrokh – Member Audit 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.

**6. Mr. Khamis Juma Buamim – Board Member, Managing Director & Group CEO**

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.

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.

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 Energy. Mr. Buamim has won many Awards and life time achievements, including being recognized as the most influential maritime top 50 personalities in the world by Tanker Shipping & Trade magazine of London 2015, HH. sheikh Mohammed Bin Rashid Business Award 2014, The Tatweej Personality Award for leadership, management and business 2014, The "Outstanding Lifetime Achievement" award from Lloyd's List London for Business 2014, The year personality award in the field of marine and maritime industry by International Ships Techniques 2013, Sword of Honors from the British Safety Council "London 2014, The International Prize in Human Resource Management, The Archimedes Achievement Award "for excellence and exchange of knowledge" - United States of America and so many other.

Holds Bachelor of Business Administration and Economics - United Kingdom and the National Administration degree in Crises Management and incident Command - United States of America and the High-accreditation on international human resources management (IPM).

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

SR #	Name of GNH Board Member	Board membership in other public shareholding Co.
1	Mr. Ahmed Kilani	Takaful Emarat PSC – Board Member
2	Mr. Mohamed Alhawari	Takaful Emarat PSC – Board Member

**B. Female component in the Board during the year 2016**

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, as at 31<sup>st</sup> December 2016, there is no female representative in the GNH Board.

**D. Statement regarding:**

**1. Details of Directors' remuneration during the year 2015/2016**

The Board of Directors did not receive any remuneration (from net profit) during the year 2015/2016.

**2. Details of the proposed Directors' remuneration for 2016 which it will be presented in the General Assembly Meeting for approval**

It is proposed that the Board receive remuneration of AED 300,000 for the year 2016 from the net profit of the Company.

**3. Details of Directors' allowances for attending meetings of the Board and Committees for the financial year 2016 (including previous year 2015)**

The total value of allowances for the year 2016 amounted to AED 217,837. For details, please refer to the below table:

Description	Board of Directors' Meeting (AED)	Board Committee Meetings (AED)	Allowance to Board members for additional tasks/ assignments (AED)	Total
Attendance Fee	54,800	-	-	54,800
Meeting Expenses	99,857	-	63,180	163,037
<b>Total</b>	<b>154,657</b>	<b>-</b>	<b>63,180</b>	<b>217,837</b>

\* Certain allowances (around AED 166k) were reversed during the year, as per board decision





**Board of Directors' allowances for the previous year (2015):**

Description	Board of Directors' Meeting (AED)	Board Committee Meetings (AED)	Allowance to Board members for additional tasks/ assignments (AED)	Total
Attendance Fee	248,000	152,000	(107,000)	293,000
Meeting Expenses	320,160	95,060	920	416,140
<b>Total</b>	<b>568,160</b>	<b>247,060</b>	<b>106,080</b>	<b>709,140</b>

\* Certain allowances related to previous years were reversed during the year, as per board decision

In accordance with the SCA Governance Standards 7 R.M of 2016, Article No. 21 (Remuneration of the Chairman and Members of the Board of Directors); GNH board of directors accordingly resolved not to receive any attendance fee/allowance for the board and committee meetings. Hence, there is no budget allocated for same during the financial period 2017.

The board members may only receive remunerations/allowances which are allowed as per the prevailing applicable laws, rules and regulations.

**E. The number of board meetings held during the year 2016, along with dates/attendance & proxies**

Board of Directors	20 <sup>th</sup> Mar	10 <sup>th</sup> May	11 <sup>th</sup> Oct	7 <sup>th</sup> Nov	Board meetings held via circulation			
					13 <sup>th</sup> Apr	19 <sup>th</sup> Apr	14 <sup>th</sup> Jul	2 <sup>nd</sup> Aug
Mr. Abdulla Brook Al Hameiri (Chairman)	✓	X	✓	X	✓	✓	✓	✓
Mr. Anas Atatreh (Vice Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Kilani	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Mohammed Alhawari	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Magid Al Shamrokh	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Pathikrit Banerjee	✓	N/A	N/A	N/A	✓	N/A	N/A	N/A
Mr. Fraih Al Qubaisi	✓	✓	N/A	N/A	✓	✓	✓	✓
Mr. Khamis Buamim	N/A	✓	✓	✓	N/A	N/A	✓	✓

\* Mr. Pathikrit and Mr. Fraih resigned on 13<sup>th</sup> April 2016 and 25<sup>th</sup> August 2016 respectively.

\* Mr. Khamis appointed as the board member, effective from 19<sup>th</sup> April 2016.

\* Mr. Abdulla gave proxies to Mr. Anas Atatreh to vote on his behalf during the board meetings held on 10<sup>th</sup> May and 07<sup>th</sup> Nov 2016.

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

The Managing Director & Group CEO 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 main tasks assigned to the MD & Group CEO and Executive Management is to attain the vision, mission, strategic plans, expansions/growth and improve the overall image and reputation of Gulf Navigation Holding PJSC.

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.

Mr. Khamis Buamim initially joined as the Group CEO on 13<sup>th</sup> April 2016. Later, with effect from 19<sup>th</sup> April 2016, Mr. Khamis was appointed as the board member. Since then Mr. Khamis is associated with GNH as a board member, MD and Group CEO.

Capt. Parag Jain (Previous CEO) ceased to work with the Company since 25<sup>th</sup> July 2016.



**G. Statement for 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.

**Related Party Transactions:**

During the year 2016, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions:

	2016 AED'000
Finance income – due from a related party	<u>2,253</u>
Management fee charged by a jointly controlled entity	<u>813</u>

**Related Party Balances:**

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

	2016 AED'000
<b>Due from a related party</b>	
<b>Non-current</b>	
Gulf Stolt Tankers DMCCO (Joint venture) (Note i)	35,672
<b>Current</b>	
Gulf Stolt Tankers DMCCO (Joint venture)	-
<b>Due to related parties</b>	
<b>Current</b>	
Gulf Stolt Ship Management JLT (Joint venture)	-
Directors' fees	149
Gulf Stolt Tankers DMCCO (Joint venture)	224
	<u>373</u>

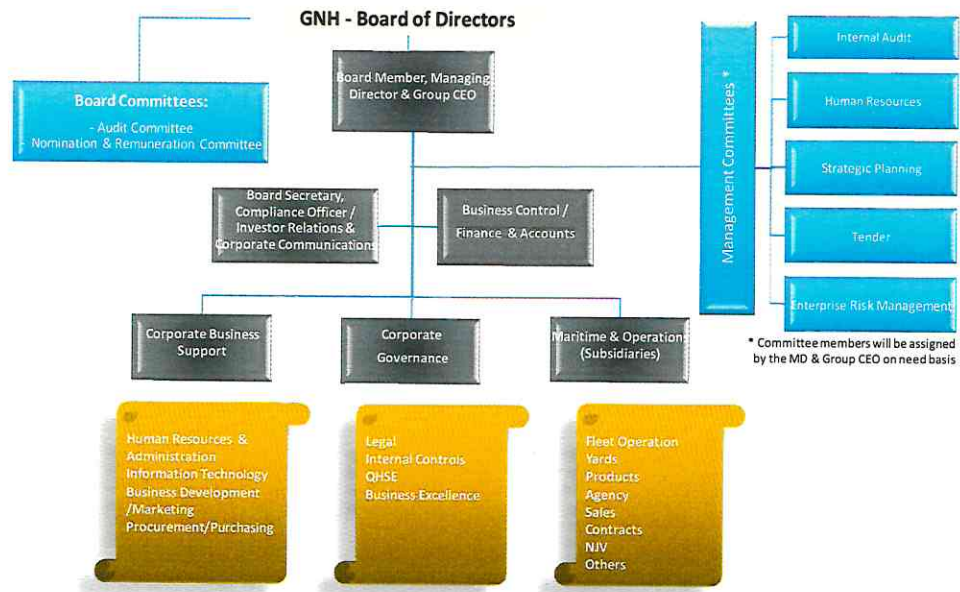
**Note i:** The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO (GST). This loan carries interest of 6.6% per annum. For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil).

	2016 AED'000
<b>Key Management Remuneration</b>	
Salaries, benefits and directors' fees *	3,513
End of service benefits	99
	<u></u>

\*The key management remuneration excludes expenses reimbursed amounting to AED 79,000.



**H. Company's organization chart**



**I. Statement of senior personnel (executives) in the first and second tier, along with their job titles, appointment date, salaries and allowances as at 31<sup>st</sup> December 2016:**

Name	Title	Date of Appointment	Salaries & Allowances (AED)	Bonus	Other Cash Benefits
Mr. Khamis Buamim	Board Member, MD & Group CEO	13-04-2016	1,894,410	148,433	Nil
Mr. Omar Abu Omar	President – Maritime & Operations Management	29-05-2016	1,083,808	Nil	Nil
Mr. Saood Al Mutaiwee	Business Development Manager	03-09-2016	154,687	Nil	Nil
Mr. Richard B. Lim	Head of Finance and Accounts	01-09-2013	617,332	Nil	Nil
Mr. Pramod Jacob	Finance Manager	18-02-2006	271,503	Nil	Nil
Mr. Mohammed Valli	Head of Internal Controls Dept.	10-04-2014	339,316	Nil	Nil
Ms. Reena Sebastian	Legal Advisor	18-04-2016	165,260	Nil	Nil
Capt. Parag Jain (resigned on 25-07-2016)	Chief Executive Officer	19-12-2015	725,912	Nil	Nil
Ms. Manal Tarchichi (resigned on 05-01-2017)	Board Secretary & Compliance Officer/IR & CC	01-06-2015	182,750	Nil	Nil

**4. EXTERNAL AUDITORS**

**A. Overview of the External Auditor**

Ernst & Young (EY) was appointed by the shareholders through General Assembly Meeting held on 7<sup>th</sup> March 2016, as the external auditor for the group. Previously, Price Waterhouse Coopers (PwC) were the external auditors of GNH since 2011.

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 5,000 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

As per the minutes of the General Assembly Meeting (held on 7<sup>th</sup> March 2016), the shareholders resolved to appoint EY as the external auditors for GNH and subsidiaries, with a total remuneration amounting to AED 433,472. In addition, the shareholders also approved to appoint another audit firm (Excellence) for annual statutory/regulatory audits of few other subsidiary companies of the group, amounting to AED 10,500. The shareholders also gave the mandate to the company's management for further negotiations with the audit firms before finalization of fee and scope.

On an annual basis, the company requests quotation/proposal from different audit firms and formal evaluation (technical/financial) is conducted before nominating the external auditors for the next year, including review and recommendation from the Audit Committee. The appointment of the external auditors (firms/fees) are duly approved by the shareholders through Annual General Meeting, based on the recommendations from the BoD.

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

Descriptions	Ernst & Young (EY)	PwC	Excellence
Group company audited	Gulf Navigation Holding PJSC Gulf Ship Management DMCCO (previously, Gulf Stolt Ship Management JLT) Gulf Navigation Maritime LLC Gulf Sheba Shipping Limited (Hong Kong) GNH- Saudi Branch	Gulf Stolt Tankers DMCCO  Note: since the fee quoted by PwC was lower than EY, the senior management selected PwC for GST (JV) audit.	Various other non-operating or inactive subsidiaries: Gulf Navigation Group FZCO Gulf Ship FZE Gulf Nav Ship Management FZE Gulf Chemical Carriers LLC Gulf Crude Carriers LLC
Associated since (year)	2016	2010	2016
Total audit fees for the financial statement of 2016 (AED)	AED 354,000, excluding translation charges of the financial statements into ARABIC – total AED 23,000	AED 29,280	AED 10,500
Fees and costs of the special services, in addition to the financial statement audit (2016)	AED 21,472	None	None
The details/nature of other services	Saudi Branch Taxation Review	None	None
Statement of other services obtained from another external auditors/ consultants	None	None	None

## 5. AUDIT COMMITTEE

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

The Audit Committee is composed of the following members as of 31<sup>st</sup> Dec 2016:

Name of Board Members	Position	Status
Mr. Mohammed Alhawari	Chairman Audit Committee	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 submitting/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 2016 along with the dates/ attendees**

Name of Board Member	22 <sup>nd</sup> Mar	10 <sup>th</sup> May	26 <sup>th</sup> Jul (via circulation)	7 <sup>th</sup> Nov
Mr. Mohammed Alhawari – Chairman	✓	X	✓	✓
Mr. Ahmed Kilani	✓	✓	✓	✓
Mr. Magid Al Shamrokh	✓	✓	✓	✓



## 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 31<sup>st</sup> Dec 2016:

Name of Board Members	Position	Status
Mr. Anas Atatreh	Chairman N&R Committee	Independent/Non-Executive Directors
Mr. Ahmed Kilani	Member	Non-Independent/Non-Executive Directors
Mr. Mohammed Alhawari	Member	Independent/Non-Executive Directors
Mr. Fraih Al Qubaisi	Member-resigned on 25th Aug 2016	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 2016 along with dates/ attendee

Name of Board Member	10 <sup>th</sup> May	9 <sup>th</sup> Apr (via circulation)	24 <sup>th</sup> Apr (via circulation)
Mr. Anas Atatreh – Chairman	✓	✓	✓
Mr. Ahmed Kilani	✓	✓	✓
Mr. Fraih Al Qubaisi	✓	✓	✓
Mr. Mohammed Alhawari	N/A	N/A	N/A

\*Mr. Fraih Al Qubaisi resigned on 25<sup>th</sup> August 2016. Mr. Mohammed Alhawari was appointed as the N&R Committee member since 11<sup>th</sup> October 2016.

## 7. 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 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.
- 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.
- 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 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.
- 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 12 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 joined the company on 10<sup>th</sup> 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).
- During the year 2016, Ms. Manal Tarchichi served the company as the Compliance Officer, in addition to her duties of Board Secretary/Investor Relations & Corporate Communication Officer. Ms. Manal holds a Bachelor degree in Computer Science, along with numerous certifications related to her profession. Since Manal's departure from the Company, Ms Reena Sebastian, Legal Advisor, is currently discharging the Board secretarial and compliance officer functions. She holds bachelor degree in Law and Masters' degree in social work (major human resources).

#### 8. VIOLATIONS COMMITTED DURING THE FINANCIAL YEAR 2016

No fines/ penalties were imposed by SCA/DFM during the year 2016.

#### 9. COMPANY'S CASH AND/OR IN-KIND CONTRIBUTION TO THE LOCAL COMMUNITY DEVELOPMENT AND ENVIRONMENTAL CONSERVATION DURING THE YEAR 2016

GNH strive to exceed best industry practice and standards for Quality, Health, Safety, Security and Environmental. Application of the current best Industry Practices, Marine Regulations and Standards of Safety, Environment Protection and Security are the priorities of Gulf Navigation Holding that strives for commercial success. All the ships owned by the Gulf Navigation are of highest specifications and are in compliance where possible exceeding, all relevant national, international and statutory environmental legislation and regulations.

These ships are regularly inspected and audited by various international bodies, such as Oil Majors, Classification Society, Port State Control, Flag State Administration and Terminal authorities which they visit.

GNH is committed to preventing and eliminating pollution in all forms and to implement measures to continually improve our environmental performance.

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 ships are operated to the highest standards using good quality fuel & diesel oils (as per the required standards in different parts of the world) in order to reduce the levels of emissions from ship engines.

Employees are encouraged to participate in community projects and support activities where there is no conflict of interest between such activity and their position at the Company.



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

Gulf Navigation Maritime LLC, subsidiary of Gulf Navigation Holding, assisted 'The Mission to Seafarers' (MtS) to support sailors to extending technical, operational and crew management support for the world's first purpose-built seafarers support vessel. The UAE brand of MtS Group, a voluntary funded organization established in 1865, owns the dedicated vessel for the Port of Fujairah, the Flying Angel. It provides a base for thousand of seafarers who spend much of their lives at sea and the MtS Group has served millions of seafarers at about 260 ports around the world.

As part of its corporate social responsibility (CSR) activities, Gulf Navigation Maritime, through its branch in the Port of Fujairah, provides technical, operational and crew management for the Flying Angel. The company is committed to extending maritime services to help the seafaring community, which is an integral component of the maritime industry.

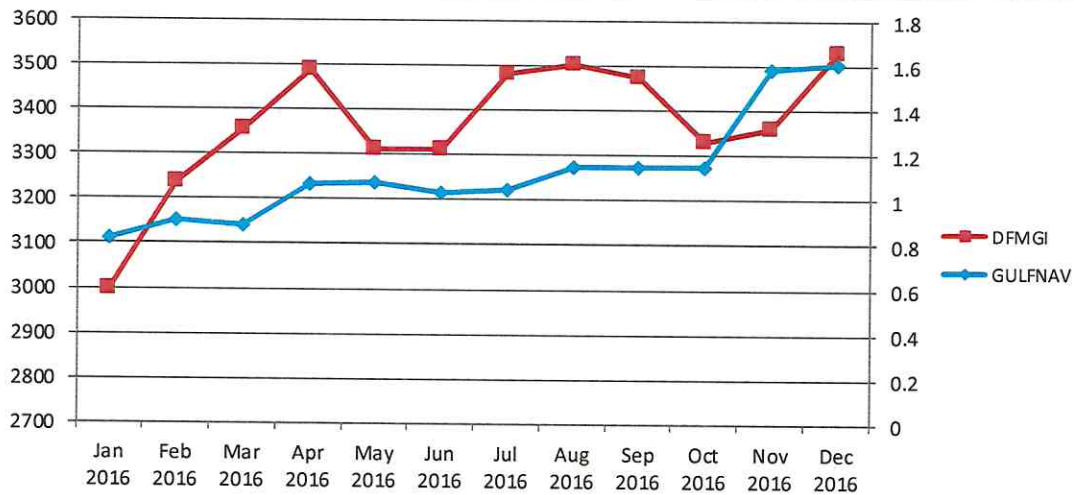
## 10. GENERAL INFORMATION

### A. Company share prices (high/low/closing) at the end of each month during 2016

Months (2016)	High (AED)	Low (AED)	Closing Price (AED)
January	0.844	0.542	0.829
February	0.950	0.760	0.909
March	0.999	0.880	0.888
April	1.09	0.861	1.07
May	1.18	1.02	1.08
June	1.11	0.999	1.03
July	1.14	1.02	1.05
August	1.17	1.04	1.15
September	1.21	1.14	1.15
October	1.19	1.06	1.15
November	1.71	1.15	1.59
December	1.66	1.53	1.61

\*above data has been obtained from DFM.

### B. Performance of company shares against Dubai Financial Market General Index (DFMGI) for the year 2016



\*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 31<sup>st</sup> Dec 2016**

Ownership/ Citizen	Individual	Bank	Company	Institution	Government	Total
Arab	9.60%	-	0.07%	-	-	9.67%
GCC	11.6%	0.01%	6.04%	-	-	17.65%
UAE	31.7%	0.23%	27.2%	11.3%	0.03%	70.46%
Others	2.2%	0.15%	0.005%	-	-	2.36%
<b>Total</b>	<b>55.1%</b>	<b>0.39%</b>	<b>33.3%</b>	<b>11.3%</b>	<b>0.03%</b>	<b>100%</b>

\*above data has been obtained from DFM.

**D. Top 5% and above shareholding as on 31<sup>st</sup> Dec 2016**

Investor Name	Qty Owned (No.)	Qty Owned (%)
Waleed Mohammed	38,664,658	7%
Diamond Line General Trading LLC	60,683,333	11%
Tabarak Investment LLC	60,683,333	11%
Mohammed Bin Ahmed Bin Saeed Al Qasimi	31,678,961	5.7%
Rock Alowla General Trading	60,242,000	10.9%

\*above data has been obtained from DFM

**E. Shareholding distribution based on volume as on 31<sup>st</sup> Dec 2016**

Share Ownership Volume (Qty)	No. of Shareholders	No. of Shares Owned (Qty)	% of Owned Shares in the Company Capital
Less than 50,000	11,502	46,217,554	8%
50,000 – 500,000	400	53,710,943	10%
500,000 – 5,000,000	59	77,095,678	14%
Above 5,000,000	15	374,642,491	68%
<b>TOTAL</b>	<b>11,976</b>	<b>551,666,666</b>	<b>100%</b>

\*above data has been obtained from DFM

**F. Investor Relations**

The Company ensures that all requirements and pre-requisites as required by the Investor relations regulations by the Authority are complied with. A bilingual employee with fair knowledge of Company business and financial affairs has been appointed to manage the investor relations and corporate communications functions.

During 2016, Ms. Manal Tarchichi was the Investor relations Officer and following her departure, Ms. Atiat Nbili is discharging all the duties in relation to managing investor relations. The Shareholders are able to contact and obtain necessary information about the Company and the shares from the Investor Relations Officer via telephone number +971 4 4270104, email at [investor.relations@gulfnav.com](mailto:investor.relations@gulfnav.com), and website at <http://www.gulfnav.com/inv.php?catid=8>.

They are also able to post their enquiries by email. Moreover, the company's website also features investors relation section, whereby stakeholders can have easy access to the financial statements, annual reports, various disclosures, general assembly meetings, Board meetings, unclaimed dividends list, governance reports, etc. The shareholders can also easily link to the DFM website and access Company profile page through the section - Share Status in the Company's website and gain information on the share trades, share price, top shareholders etc. The Company also updates the market of all its major ventures and affairs by regular press releases.







**G. General Assembly resolution/s during 2016 and its implementation status**

GA Meeting Date	Resolution/s – requiring subsequent action/s by the company (brief description)	Status/Actions
18 <sup>th</sup> Jan 2016	<p>Issuance of Mandatory Convertible Bonds (MCB) at a nominal value of one UAE Dirham with the value of the first tranche will be AED (92) million equivalent to USD (25) million and approve the appoint of Shuaa Capital PJSC as financial advisor for the Company in relation to the issuance of Bonds to manage the issuance process and report to SCA. Offer Bonds to the Company's existing shareholders first and thereafter offering all the Bonds or the balance thereof to the Company's creditors, as the case maybe.</p> <p>Cash paid by the shareholders against Bonds be the higher of the average share price in the market during the 30 days preceding the passing of the General Assembly's Special Resolution or the share price in the market at closing on the business day immediately preceding the date of the General Assembly meeting in which the Special Resolution approving the issuance of Bonds has been passed whereas for the creditors the monetary value of the Bonds shall be at least 5% higher than the one offered to the shareholders in accordance with the prospectus as approved by SCA. The shareholders offering the highest price for the Bonds shall be given priority in allocation of Bonds.</p>	<p>The new board and the executive management considers MCB as one of the options to raise equity/funds, in addition to other avenues, such as bank loans or fresh equity. The management and the board aims to take the most appropriate decision which shall prove in the best interest of the shareholders. The option to issue MCB has not yet been finalized by the BoD. GNH shall apprise the competent Authorities and the shareholders, where applicable.</p>
18 <sup>th</sup> Jan 2016	<p>Issue the Bonds in one or more tranches under a program and determine the date of mandatory conversion into shares and listing of those shares on the financial market provided that the allocation of Bonds or conversion into shares does not result in violating the minimum percentage allocated to the UAE nationals in the Company's share capital.</p> <p>Creation of a special reserve in the Company's accounts for the difference between the nominal value of the Bonds and the cash amount received so that the whole net annual profit after deduction of reserves and amortizations is allocated to such special reserve on annual basis.</p> <p>Board of Directors to take all legal procedures required to issue the Bonds without violation to the Commercial Companies Law, implementing regulations and applicable resolutions and obtain all required approvals and permits.</p>	<p>The new board and the executive management considers MCB as one of the options to raise equity/funds, in addition to other avenues, such as bank loans or fresh equity. The management and the board aims to take the most appropriate decision which shall prove in the best interest of the shareholders. The option to issue MCB has not yet been finalized by the BoD. GNH shall apprise the competent Authorities and the shareholders, where applicable.</p>
07 <sup>th</sup> Mar 2016	<p>Amendment of the Articles of Association of the Company by reducing the number of Board members from (11) to (7) members subject to the approval of the Securities and Commodities Authority and the Dubai Department of Economic Development.</p> <p>Appoint Ernst &amp; Young as the auditors of the Company for the financial year 2016, as well as auditors for the Saudi branch and fixing their fees at AED 364000 for the Group and AED 48000 for the Saudi branch and request the new Board of Directors to negotiate down the fees.</p> <p>Authorizing the new Board of Directors to reconsider the lease contract for the company's offices and ensure that there is no conflict of interest and that the renewal of the lease with its current terms is in-line with the company's interest.</p>	<p>Implemented – The AoA have been amended and duly approved by the SCA/DED.</p> <p>Implemented – EY has been appointed as the external auditor for GNH. For further details, please refer to section 4 above (External Auditors)</p> <p>This matter is still under the discussion/negotiation with the owner; aim is to finalize the agreement which is in the best interest of the company and safeguards the rights of shareholders.</p>
15 <sup>th</sup> Jun 2016	<p>Approved that the company's activities to be in accordance with Islamic Sharia</p> <p>Approved to amend the Articles of Association of the Company as per the provisions of the Federal Law No 2 of 2015 concerning Commercial Companies and subject to the competent authorities' approval.</p> <p>Approved that authorized share capital of the Company to be as AED 1,000,000,000.</p>	<p>Implemented – The company have appointed the Sharia Advisors who shall guide in terms of sharia compliance, review company activities and issue a compliance certificate. The appointment of Sharia Advisors and their scope shall be ratified in the next General Assembly Meeting.</p> <p>Implemented – The AoA have been updated and duly approved by the SCA/DED.</p> <p>Implemented – The trade license/registration certificates/AoA have been accordingly updated.</p>





**H. Significant events during the year 2016 (excerpts).**

1. Seven (7) board members resigned from their positions, effective from 14<sup>th</sup> Jan 2016:
  - Mr. Hazza Al Qahtani,
  - Mr. Hakeem Al Otaibi,
  - Mr. Nasser Al Kahtani,
  - Capt. Faisal Al Qahtani,
  - Dr. Sandeep Kadwe,
  - Mr. Magid Al Shamrokh, and
  - Mr. Abdulla Al Harthy.
2. New board elections were held on 7<sup>th</sup> March 2016, for further details please refer to section 3 above (formation of board of directors).
3. Key changes in the executive management structure during the year:
  - Mr. Khamis Juma Buamim joined the company as the Board Member, Managing Director & Group CEO.
  - Mr. Omar Abu Omar joined as the President Maritime & Operations Management.
  - Mr. Saood Al Mutaiwee was recruited as the Business Development Manager.
  - Capt. Parag Jain (CEO) resigned from his position.
4. GNH PJSC fully acquired Gulf Stolt Ship Management (GSSM) from Stolt Nielsen which was previously a 50/50 joint venture between GNH and Stolt Nielsen.
5. GNH announced major organizational restructuring (including subsidiaries), with effect from July 2016.
6. GNH signed a new settlement agreement with Nordic American Tankers (NAT) whereby the long outstanding debts/claims that GNH owed to NAT had been fully and finally settled.
7. GNH announced expansion of its fleet by signing an agreement with China's Wuchang Ship Heavy Industry Group, to build six (6) new chemical tankers.
8. GNH signed a strategic contract with Deloitte assigning Deloitte to provide the necessary advisory support to Gulf Navigation in the upcoming acquisition of a large shipping fleet. [Details shall be released when such contracts/agreements materialize].
9. GNH announced the initiation of studies for large expansion of its operations in the northern region of the United Arab Emirates consisting of a set of comprehensive maritime activities, (GNH Northern Project), including ship building, ship repair and offshore platforms, equipment and services, logistics, marine specialized operations and global mobile ship repair and services including a float and during voyage. Gulf Navigation Group shall be cooperating with Wuchang Shipbuilding Industry Group Co. Ltd and Qingdao Beihai Shipbuilding Heavy Industry Co. Ltd, both of which are members of China Shipbuilding Industry Corporation (CSIC) group, in the GNH Northern Project.
10. GNH marked another milestone by entering into strategic alliances with MENA ENERGY. The strategic alliances for mutual co-operation in ship acquisition, chartering and commercial management aims to set out a platform for the parties to have an enhanced commercial relationship and to further strengthen their existing business ties. The parties have agreed that Gulf Navigation would acquire vessels that would be time-chartered to MENA Energy for carrying Crude and the petroleum products. It is intended that Gulf Navigation will acquire or order new builds, up to 12 vessels ranging between 50,000mt dwt and 120,000mt dwt.
11. GNH entered into a partnership agreement with SeaQuest Group, an international group providing ship management and new building project management services. According to this agreement, Gulf Navigation Holding aims at expanding its business in the Middle East, Africa and other neighboring countries in the field of Ship Management, Marine Project Management and Consultancy Services, through a new company that will be headquartered in Dubai and a subsidiary of Gulf Navigation Holding.
12. The company appointed Dar Al Sharia Islamic Finance Consultancy LLC (Dar Al Sharia) as the sharia advisors/consultants for the group.
13. All material information/press release/disclosures are also being timely published to the SCA/DFM and company websites, please refer for further details.

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