



Union Properties PJSC
Corporate Governance Report
January 2011



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1 Corporate Governance Practices

- Union Properties PJSC (hereinafter referred as UP or the Company), is committed to the highest level of corporate governance, and has derived its values from a system which integrates ethics, corporate integrity and leading and compliant practices. Transparency, fairness, disclosure and accountability have been central to the working of the company, its management and Board of Directors (hereafter referred to as 'the Board'). Indeed, the company's commitment to good Corporate Governance practices predates the laws and mandates of the Securities and Commodities Authority (SCA).
- Depicted below are the various initiatives that have been undertaken by the company to ensure compliance with the applicable governance rules and regulations:
 - Establishment of an Audit Committee.
 - Establishment of a Nominations and Remuneration Committee.
 - Signature of the Declaration of Independence by Board Members.

2 Board of Directors Disclosure

2.1 Company's Conflict of Interest and Disclosure Policy:

- In practicing their duties, the Board of Directors and the employees should be fully aware of, and clearly understand all applicable laws, rules, and regulations in order that they can comply with them at all circumstances. Any advantages that may be presented to the employees, opportunities for monetary and non-monetary benefits in addition to the normal compensation arrangement paid by the Company should be in line with the conflict of interest policy. Therefore, the employees should accomplish their tasks with the principles of integrity, fairness, and in conformity to the professional standards.
- Director and Employee Trading: Directors and Employees may trade in the company's shares under restricted conditions. They must notify the Securities and Commodities Authority, the Exchange Director and the Company Secretary prior to entering into a trade in the company's shares.
- Benefits or Gifts: Employees are not allowed to receive from third parties, benefits or gifts in addition to those conferred by the Company. This is to prevent any influences on the employees' independence and objectivity.
- Directors are to immediately notify the Company Secretary if a material personal interest relating to the affairs of the Company arises. In this context, a material personal interest would refer to a financial transaction with a related party of the Company exceeding AED 5 Million.



- Directors are to absent themselves from attendance at a meeting of directors where a matter in which they have a material personal interest is being discussed, unless the other directors vote otherwise.
- If one of the major shareholders (represented by a Board member) has a conflict of interest in an issue which can affect the price or volume of trading of the Company's securities, the Board of Directors should conduct a meeting and issue a decision in attendance of all its members; excluding the concerned shareholders/ director. In extraordinary cases, such issues can be resolved through a special committee formed for that purpose.
- Each director shall upon commencement of his term disclose to the Company the nature of the positions the same occupies in the companies and the public establishments and other important commitments and specify the time allocated thereto, and any changes on the above mention upon occurrence.
- Additionally, each director shall disclose on an annual basis, the nature of positions the same occupies in the company's securities, the parent company, subsidiary or affiliate companies.
- Directors are to monitor compliance with the disclosure policy and to take remedial action where necessary.
- The Company's Annual Corporate Governance Report shall be made available to the stakeholders along with the Company's Annual Report.

2.2 Compliance with the Conflict of Interest Policy during the last year:

- The Board of Directors hereby declares that each member of the Board has complied with the disclosure requirements as per the laws and regulations issued by the Ministry of Economy and the Securities and Commodities Authority. There is no indication of non-compliance by any of the members of the Board of Directors.



3 Composition of Board of Directors

3.1 Composition:

Depicted below is the composition of the Board of Directors of UP during the year 2011:

SI No.	Name	Particulars (Executive/ Non Executive)	Committee Membership	Committee Chairmanship
1	Mr. Khalid Bin Kalban	Non-Executive	N/A	
2	Mr. Saeed Mohammed Al Sharid	Non-Executive	Audit Committee	
3	Mr. Abdul Aziz Al Serkal	Non-Executive	Nomination & Remuneration Committee	
4	H.E. Hamad Buamim	Non-Executive	Audit Committee	√
5	Mr. Ali Al Fardan	Non-Executive	Nomination & Remuneration Committee	
6	Mr. Saeed Humaid Bin Draï	Non-Executive	Nomination & Remuneration Committee	√

1. Mr. Khalid Jassim Bin Kalban has been a member of the Board since 22 April 2008. Mr. Kalban has a degree in Business Management from USA and also majored in management at the Metropolitan State College, USA. His extensive experience covers the industrial, financial, investment and real estate sectors. He currently holds many important posts including Managing Director & CEO of Dubai Investments since 1998, member of the Board of Directors of Emireates NBD. Presently he is also the Chairman of National General Insurance PJSC.



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2. Mr. Saeed Mohammed Al Sharid was re-elected to the Board since 22 April 2008. Mr. Al Sharid has a BS degree in Accounting and Business Administration with extensive experience in General Management. He is a member of the Board of Directors of Etisalat and the Chairman of Emirates Islamic Bank.
3. Mr. Abdul Aziz Al Serkal was re-elected to the Board since 22 April 2008. Mr. Al Serkal is a Systems and Industrial Engineer from the USA. He is the CEO of Masharie (a subsidiary of Dubai Investments PJSC), and Chairman of Thermo LLC (a subsidiary of Union Properties PJSC), Emicool (Joint Venture between Dubai Investments PJSC & Union Properties), Folcra Beach Industrial WLL, Emirates Extrusion Factory LLC, White Aluminium, Anchor Allied Factory LLC Al Arif Contracting Company, Power Factor Electromechanical works, Stromek Emirates Foundations, Lite Tech Industries LLC, International Rubber Company. He is a Board Member in Dubai Investments Industries (a Subsidiary of Dubai Investments PJSC). His area of expertise is in investments, private equity, industrial and real estate sectors.
4. H.E. Hamad Buamim has been member of UP Board since 22nd April 2008. His Excellency obtained an MBA with Honor from the University of Missouri, Kansas City, USA in 2002. His Major was in Banks and Financial Affairs Management. His Excellency also graduated with Honor (Magna Cum Laude) in Electrical Engineering and Mathematics from Southern California, Los Angeles in 1996. His Excellency occupied a number of significant positions such as: Secretary General of Dubai Economic Council, a Corporate Manager in HSBC Bank. He also worked as a Lecturer of Finance & Banking at the College of Business & Economics of UAE University, as well as a Senior System Engineer at the Planning and Development Department of Dubai Electricity & Water Authority (DEWA). His Excellency is the Director General of Dubai Chamber of Commerce & Industry, and the Vice Chairman of the World Chambers Federation - ICC in Paris, Board Member on Dubai World and Emirates NBD and Chairman of Emirates Financial Services.
5. Mr. Ali Al Fardan has been member of the Board since 22 April 2008. Mr. Al Fardan holds a Bachelor of Science degree in Management and Information Systems. He has been involved with Real Estate Management, Property Investments, Capital Investment Management and Hospitality Management. Mr. Al Fardan is the Vice Chairman of Al Fardan Group, Dubai, CEO of First Investor LLC, Managing Director of Al Fardan Real Estate etc. He is also on the Board of Directors of Dubai Investments.
6. Mr. Saeed Humaid Bin Draï has been member of the Board since April 2010. Mr. Bin Draï graduated in Politics and International Relations at University of Canterbury in 1997. In September 1998, he joined his family business of ship handling, foodstuff, steel trading, road marking, and real estate development among others. He is the Managing Director of Bin Draï Enterprises and a Director of Emirates Money LLC.



3.2 Responsibilities

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

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

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

Additionally, the Board of Directors shall have the following Roles and Responsibilities:

- Set and review the strategic direction and approves the Annual Operating Budget and Business Plan;
- Make decisions concerning the Company's capital structure and dividend policy;
- Review, approve and monitor major investments and strategic commitments;
- Review and approve the annual and interim Financial Statements;
- Ensure compliance with applicable laws, regulations and all appropriate accounting standards;
- Ensure that an adequate risk management framework is in place to identify, assess and mitigate risks;
- Ensure appropriate policies and delegations are in place to effectively govern the Company;
- Adopt a Governance Structure that is aligned with the Company's values and strategies, and ensures the following:
 - Enhancing the Company's reputation;
 - Maintaining high standards of behaviour;
 - Promoting ethical and responsible decision making;
 - Communicate clear expectations and Delegation of Authority; and
 - Complying with the applicable Governance Regulation (i.e. Securities Commodities Authority (SCA) regulations).

- Appointment of the General Manager and evaluation of his on-going performance and remuneration through the Nomination and Remuneration Committee, and that of Senior Management.



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- Ensure that an appropriate succession plan for Senior Management is in place;
- Recognise the legitimate interests of all stakeholders, being the shareholders, customers, staff and the communities in which the Company operates;
- Set written rules for the dealings of the staff in the securities issued by the Company, the Parent Company, the Subsidiaries, or the Sister Companies (where applicable);
- Ensure the integrity of external reporting to stakeholders including:
 - Review and monitor controls, processes and procedures in place to maintain the integrity of the Company's financial and accounting records and statements, with the guidance of the Audit Committee upon its formation;
 - Ensure accurate, objective and comprehensive information is conveyed to the shareholders to ensure that they are fully informed of material developments; and
 - Review the reports of the Audit Committee in relation to risk, internal controls and internal and external audit reports.
- Exceptionally issue some of its decisions by passing on a draft thereof for signature in emergency situations, provided the following are taken into considerations:
 - That the cases of issuing decisions by passing on the draft decision for signature may not exceed four (4) cases a year;
 - The agreement of the majority of the members of the Board of Directors that the concerned case is a case of emergency;
 - Handing the decision to the members of the Board in writing for the purpose of their consent, provided that the documents and evidences necessary to study the same are accompanied therewith; and
 - The written consent of the majority shall be attained on any decisions of the Board of Directors that is issued through passing on written draft for signature, and provided that the same is presented to the subsequent meeting of the Board of Directors so as to include the same in the minutes of the meeting.



- Tasks of the Non-Executive Directors shall include without limitation:
 - To participate in meetings of the Board of Directors and to provide independent opinion on strategic matters, policy, performance, accountability, resources, appointments and activity criteria;
 - To ensure that priority shall be given to the Company's and Shareholders' interests in case of conflict of interests;
 - To participate in the Company's Audit Committees;
 - To control the Company's performance in realizing its agreed objectives and goals and to monitor its performance reports;
 - To develop procedural rules for the Company's Governance and supervise and monitor their implementation in compliance therewith; and
 - To avail the Board of Directors and its different Committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in the General Meetings.



3.3 Annual General Meetings:

There were 7 Board meetings held during the year January 01, 2010 and December 31, 2010. The Company's last Annual General Meeting was held on April 20, 2009. Depicted below is the Attendance Record of the Directors.

Sl No.	Dates of Board Meetings	Board Members **							
		1	2	3	4	5	6	7	8
1	28-Jan-10	√	√	√	√	√	N/A	X	x
2	14-Feb-10	√	√	√	X	√	N/A	X	√
3	12-Apr-10	√	√	√	√ part of meeting	√	N/A	N/A	√
4	1-Jun-10	√	√	x	√	√	√	N/A	x
5	19-Aug-10	x	√	√	√	√	√	N/A	N/A
6	4-Oct-10	√	√	√	√	√	√	N/A	N/A
7	20-Dec-10	√	√	x	√	x	√	N/A	N/A

** - Notes

1. Mr. Khalid Bin Kalban
 2. Mr. Saeed Mohammed Al Sharid
 3. Mr. Abdul Aziz Al Serkal
 4. H.E. Hamad Buamim
 5. Mr. Ali Al Fardan
 6. Mr. Saeed Humaid Bin Draï (appointed in April 2010)
 7. Mr. Anis Jallaf (not a member since December 2009)
 8. Mr. Mohammad Omar Bin Haider (not a member since June 2010)
- √ Attended
x Apologized
N/A not a Board member at the relevant date

3.4 Responsibilities delegated to Executive Management:

During the year 2010, there were no additional roles and responsibilities delegated to the Executive Management.



3.5 Remuneration of Board of Directors

The remunerations of board members shall be a percentage of net profit and the Company may pay ancillary expenses or fees or a monthly salary in the amount fixed by the board of directors to any member if such a member works in any committee, exerts special efforts or undertakes additional duties for the Company beyond his/her normal duties as a member of the board of directors of the company. In all cases, the remunerations of board members may not exceed ten percent (10%) of net profits, having deducted Depreciation, reserve and distribution of a dividend of at least five percent (5%) of capital to shareholders.

4 External Auditors

The company's appointed external auditors during the year were KPMG who have been mandated with this role since 2004. During the year 2010, the professional fees that were charged for external audit services pertaining to Auditing Services amounted to AED 165,000 and pertaining to Advisory Services amounted to AED 139,840.

5 Board Committees

5.1 Audit Committee

Roles and Responsibilities (Term of Reference):

- Oversight of the preparation of the Financial Statements.
- Review of the annual and quarterly Financial Statements.
- Review any insider, affiliated or related party transactions and ensure that rules for the conduct and approval of these are complied with.
- Reviewing the Company's Internal Control Systems for effectiveness. This may be undertaken by seeking assistance from external consulting firms.
- Ensure Risk Management policies are developed and undertake regular examination of cases of non-compliance with the same.



5.2 Composition of the Audit Committee:

S No	Name	Designation
1	Mr. Hamad Buamim	Chairman
2	Mr. Saeed Mohammed Al Sharid	Member
3	To be appointed	Member

5.3 Nomination & Remuneration Committee

Roles and Responsibilities (Term of Reference):

- Specify Recruitment, termination and deductions policies for senior management.
- Monitor and evaluate the content of plans related to Human Resources and Training.
- Verification of ongoing independence of independent board members. If the committee discovers that any of the members do not meet the independence criteria, it shall present this matter to the company's board of directors and the board shall notify the member by a letter to be sent by registered mail to the members' registered address recorded in the company's files and shall address the reasons for the lack of independence; such member shall provide clarification to the board within fifteen days from the date of the notification.
- The board of directors in its earliest meeting after the member's response or after the expiry of the period preferred to above, shall issue a decision confirming whether the member is considered independent or not.
- Even when such board member is no longer meeting the independence criteria and such situation does not result a breach to the minimum requirement for the number of independent board members, the same must be taken into account when establishing board committees.
- Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to the Board members and senior executives of the Company and the committee will verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance.
- Plan and Follow up on the special procedures for the nomination of Board Memberships.



5.4 Composition of the Nomination & Remuneration Committee:

S No	Name	Designation
1	Mr. Saeed Humaid Bin Draï	Chairman
2	Mr. Abdul Aziz Al Serkal	Member
4	Mr. Ali Al Fardan	Member

6 Internal Control

Currently the Board is responsible for Internal Control functions and Compliance within the company. The Board has established an Internal Control Function on 20 December 2010. Currently the Internal Audit of the Company is conducted by Price Waterhouse Cooper (PWC).

Additionally the Board has completed the following activities from internal control perspective:

- Have independent External Audit Function;
- Objectives, duties and Powers of the Internal Control Function has been defined;
- Job Descriptions for the personnel within the Internal Control Functions has been developed;
- Process of recruiting personnel for the function has been initiated;
- Process pertaining to the discussion on the key matters on the Controls and risks pertaining to External and Internal Audit Functions has been initiated.

Note: Currently the Chief Financial Officer is representing role of Head of Internal Control on temporary basis. Management is in process of recruiting Head of Internal Control who shall report to work from July 2011.

7 Details of Non-Compliance by the Company

During the last year (2010), the company has not incurred any penalties, strictures imposed on the company by SCA or any statutory authority, on any matter related to capital markets. Additionally, have been no cases of non-compliance with any applicable rules and regulations.