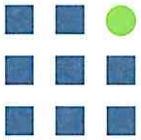


Deyaar Development PJSC

Governance Report

2018



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Deyaar Development PJSC
PO Box 30833, Dubai, UAE
T: +971 4 3957700 F: +971 4 395 7837

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Governance Report for the year 2018

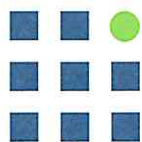
In accordance with the resolution of Securities & Commodities Authority Chairman (“Authority”) No. (7/R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of the Public Shareholding Companies and pursuant to the provision of Article No. (52) of this Resolution, Deyaar Development PJSC (“the Company”) has submitted this report on the Company Governance for the fiscal year ended on 31 December 2018.

This report was prepared in accordance with 2018 governance report template approved by the Authority which was issued on 15 November 2018. This report will be available to all Company’s shareholders prior to holding the General Assembly with sufficient time via the internet through the website of the Authority, Dubai Financial Market and the Company’s website (www.deyaar.com).

1. Procedures taken to complete the Corporate Governance system during 2018 and its method of implementation

The Board of Directors (“the Board”) believes in the importance of applying the highest standards of the governance to develop the Company’s performance, protect the shareholders’ rights and achieve sustainable growth of the financial markets. The Board and the Executive Management establish the internal control system which is deemed as a conclusive element of the Company’s governance structure. Governance framework complies with principles and standards specified and applicable by both the Authority and Dubai Financial Market and provisions set forth within the Federal Law No. (2) of 2015 on the Commercial Companies regarding the determination of the governance requirements. In 2018, the Company’s Management has effectively applied governance rules and in a transparent manner based on the responsibility of the Board towards the shareholders of the Company which protects and promotes their rights through the following:

- Development of the governance manual in accordance with the legislations and resolutions of the Authority;
 - The Board compliance by holding four meetings during the year in accordance with the Companies Law the Articles of Association and notified the Dubai Financial Market with dates and results of these meetings according to the procedures of Dubai Financial Market. Four meetings of the Audit Committee and two meetings of the Nomination & Remuneration Committee were held;
- The independent Directors commitment of disclosing any change affecting their independence and continuously ascertaining thereof;
- Confirmation of the current formation of the Committees, practice of assigned authorities, practice of all special authorities required for the Committees’ duties and any additional tasks assigned to these Committees by the Board. The Board has received reports from these Committees in accordance with the provisions and rules of the Authority resolutions;
- Confirmation of the Internal Control Department reporting to the Board through the Audit Committee. The Internal Control Department submits reports to the Audit Committee and practice all authorities assigned thereto pursuant to the internal control charter and authorities approved by the Board;
- Confirmation of the authorities granted to the Management and its duration, to practice its duties and any additional tasks assigned by the Board;



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- Disclosure of the quarter and annual financial statements reviewed by the External Auditors & approved by the Board and submission thereof to the Dubai Financial Market and the Authority;
- The Board prepared a risk management framework and strategy and set the risk tolerance of acceptable risks to be adhered to by the Executive Management;
- Review of the internal control system and update some of the Company's policies and procedures such as procedures which control the dealings of the Board and Management, whistle-blowing policy, policy on annual remuneration and code of conduct;
- Preparation and approval of policies and procedures related to the Board and employees trading of the Company's securities.

2. Trading of the Company's securities by the Directors, their spouses and children during 2018

The Board are committed to the policy defined in the Company's governance manual concerning trading of securities issued by the Company. Further, The Board adhered to the period of trading prohibition stated in the regulations on trading, clearing, settlement, transfer of ownership and custody of securities issued by the Authority. The Board adhered to disclose their and their first-degree relatives' trading on an annual basis in accordance with the form prepared for this purpose.

According to the confirmation received from the board and as per the letter of Dubai Financial Market sent to the Company dated 11 January 2019 under No. 00137/2019 for the purpose thereof "There are no trading made by The Board members and their first-degree relatives of the Company securities (selling or purchasing) during 2018".

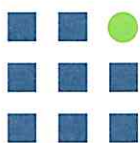
3. Board of Directors' Composition

The Board dedicates all efforts and uses its experience to improve the Company's performance as per the objectives of the shareholders and stakeholders. Such objectives shall be documented through resolutions closely monitored by the Board in relation to conducting thereof in cooperation with the Executive Management. We have set frameworks of the governance to ensure the effectiveness of the Board in carrying out its responsibilities. The Board has delegated some tasks and responsibilities to its Committees and received reports and recommendations concerning responsibility and transparency.

A. Statement of the current Board of Directors composition:

According to the Federal Law No. (2) of 2015 on the Commercial Companies and Article No. (15) of the Articles of Association, the Board was elected by the General Assembly for a subsequent period of three years on 28 March 2016. The Board consists of nine Non-Executive Directors. The Directors are classified as Non-Executive (Non-Independent) or Non-Executive (Independent) according to the definition of each class by the Authority. Noting that the Chairman and the majority of The Board are citizens of United Arab Emirates.






Experience, qualifications, memberships and positions of the Board members in other joint stock companies, governmental companies or business entities are listed below:







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Governance Report for the year 2018

No.	Name	Category (Executive, Non-executive and Independent)	Experience	Qualifications	Period served as a BOD member of the Company since his first election date	Their memberships and positions in any other joint-stock companies	Their positions in any other important supervisory, governmental or business entities
1	 Mr. Abdullah Al Hamli	Chairman Non-executive (Non-independent)	Banking, real estate, finance, investments and information technology	Bachelor of Science with majors in Economics and Mathematics from Al Ain University, United Arab Emirates	Appointed since 2008	Managing Director of Dubai Islamic Bank PJSC	Chairman of Emirates REIT
2	 Mr. Abdullah Lootah	Vice Chairman Non-executive (Independent)	Real estate, trading and investments	Bachelor of Business Administration from the Higher Colleges of Technology, United Arab Emirates	Appointed since 2008	-	Vice Chairman of the Lootah Group of Companies, Chairman of Nomination & Remuneration Committee and Member of the Executive Committee of the Company
3	 H.E. Khalifa Al Zaffin	Board Member Non-executive (Independent)	Real estate, construction, and airports	Bachelor of Science in Chemical Engineering from Arizona State University, United States of America	Appointed since 2006	-	Executive Chairman of Dubai Aviation Engineering Projects, Member of Executive Council for Dubai World Trade Centre and Cleveland Bridge, Member of the Free zone Council, Chairman of the Executive Committee and Member of the Nomination & Remuneration Committee of the Company
4	 Mr. Mohamed Al Sharif	Board Member Non-executive (Non-Independent)	Real estate, trading, banking, accounting and finance	Master of Science in Accounting from The Catholic University of America and accredited CPA from the Virginia State Council of Accountants	Appointed since 2009	Chief of Investment Banking at Dubai Islamic Bank PJSC	Member of the Audit Committee of the Company
5	 Mr. Mohammed Al Nahdi	Board Member Non-executive (Non-Independent)	Real estate, banking, information technology and finance	Bachelor of Science in Accounting Management from University of Baghdad	Appointed since 2009	Chief Operating Officer of Dubai Islamic Bank PJSC	Member of the Board of Directors of Dubai Islamic Bank in Khartoum and Pakistan, Member of Nomination & Remuneration Committee and the Executive Committee of the Company

Governance Report for the year 2018

No.	Name	Category (Executive, Non-executive and Independent)	Experience	Qualifications	Period served as a BOD member of the Company since his first election date	Their memberships and positions in any other joint-stock companies	Their positions in any other important supervisory, governmental or business entities
6	 Dr. Adnan Chulwan	Board Member Non-executive (Non-Independent)	Banking, marketing, real estate, financing and investments	PHD & MBA in Marketing and Certified Islamic Banker (CeIB)	Appointed since 2009	Group Chief Executive Officer of Dubai Islamic Bank PJSC	Associate Fellow Member in Islamic Finance Professionals Board
7	 Mr. Saif Al Yarabi	Board Member Non-executive (Independent)	Accounting, financing, auditing, real estate, investments, banking and hospitality	United Kingdom (UK)-certified Chartered Accountant (ACCA)	Appointed since 2010	-	Chief Financial Officer of Kerzner International, Member of the Board of Directors and Chairman of the Audit and Risk Management Committee, Member of the Salaries and Remuneration Committee at National Bonds PJSC and Chairman of the Audit Committee Chief of the Company
8	 Mr. Obaid Nasser Lootah	Board Member Non-executive (Non-Independent)	Real estate and banking	Bachelor of Business Administration from the University of United Arab Emirates	Appointed since 2010	Vice President / Head of Real Estate Investment Department in Dubai Islamic Bank PJSC	Board Member at Arady Development LLC, Member of the Executive Committee of the Company
9	 Mr. Yasser Bin Zayed	Board Member Non-executive (Independent)	Real estate, financing and operations	Bachelor of Business Administration from California State University, United States of America	Appointed since 2016	-	Chief Operating Officer at Dubai Office and Member of the Audit Committee of the Company

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B. Statement of women's representation in the Board of Directors:

There is no representation.

C. Statement of reasons why no women were nominated for the membership of the Board:

The Company has taken the required procedures to take into consideration the gender diversification. It has incorporated this matter in its policy of the previous elections held in March 2016 and has opened for election for membership of the Board for each person who has met legal requirements. The Company is committed to have at least a woman candidate to be among the nominees in the next election of the Board members.

D. Statement of Board of Directors remunerations and allowances to attend the meetings of the Committees:

1. Total remunerations paid to the Board of Directors for 2017:

1.5% of the net profit for the financial year ended in 2017 was given as a remuneration (after deducting depreciations and reserve), which represents the amount of AED 1.76 million, representing AED 196 thousand for each Board member after obtaining approval from the General Assembly which was held on 14 March 2018.

2. Total remunerations of the Board of Directors proposed for 2018 for submission to the General Assembly:

It is proposed to pay 2 % of the net profit as a remuneration for the financial year 2018 (after deducting depreciations and reserve), which represents the amount of AED 2.52 million, representing AED 280 thousand for each Board member, after obtaining the approval of the General Assembly on the same. *(We will make the necessary update if the proposed remuneration is changed in the upcoming General Assembly meeting.)*

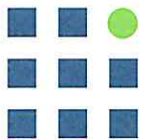
3. Attendance allowance paid to the Board of Directors for meetings of the Board Committees for 2018:

No allowance was paid to the Board members for attending Committees' meetings.

E. Board of Directors meetings held during 2018

The Board held **four** meetings during the year as follows:

No.	Name	Meeting Dates			
		31 Jan 2018	10 Apr 2018	29 Jul 2018	17 Oct 2018
1	Mr. Abdullah Al Hamli	√	√	√	√
2	Mr. Abdullah Lootah	√	√	√	√
3	H.E. Khalifa Al Zaffin	√	X	√	√
4	Mr. Mohamed Al Sharif	X	√	√	√
5	Mr. Mohammed Al Nahdi	√	√	√	√
6	Dr. Adnan Chilwan	√	√	√	√
7	Mr. Saif Al Yarabi	√	P	√	X
8	Mr. Obaid Nasser Lootah	√	√	√	√
9	Mr. Yasser Bin Zayed Al Falasi	√	√	X	√
√	Attended the meeting	X	Absent with apology	P	Attended by proxy



Governance Report for the year 2018

F. Duties and responsibilities assigned by the Board to the Executive Management:

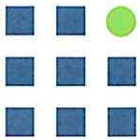
The Board authorized the **Chief Executive Officer (CEO), Mr. Saeed Al Qatami** to carry out the daily tasks of the Company's business as per the authority delegation matrix approved by the Board on 29 July 2018. The Board also granted the CEO a group of authorities determined under a valid and unfixed - term power of attorney issued on 10 September 2015. These authorities delegated to the CEO have been agreed by the Board during the meeting held on 30 April 2017, summarized as follows:

- Executing all tasks and necessary matters to manage and operate the Company to achieve the Company's goals and conduct its works on all financial and administrative aspects, representing the Company in its dealings with third parties and signing all contracts.
- Filing and registering lawsuits, claims & demands and defending the Company's affairs as a plaintiff or defendant, claimant or respondent in legal proceedings, lawsuits or complaints before any court, committee, arbitration/judicial/ administrative court and appointing & authorizing legal consultants.
- Signing commercial cheques and documents under the terms and conditions and powers determined by the Board represented by the Chairman of the Board.
- Signing all kinds of contracts and disposing of its ownership before government authorities provided that these acts to be within the limits of the plans and strategies approved by the Board represented by the Chairman of the Board.
- Forming and registering branches, representative offices, subsidiary companies for the Company with other parties in the United Arab Emirates as approved by the Board.

The Board has authorized the General Counsel & Secretary of the Board - Mr. Amer Al Zoubi on 15 June 2017 to carry out the following:

- Representing the Company in all matters of disclosure and compliance before all competent official authorities including the Securities Authority and the Dubai Financial Market. Also, he may delegate some of these powers to other employees of the Company.
- Representing the Board before the Notary Public in authentication and ratifying all the signed minutes of the Board meetings.
- Representing the Company in all legal matters before all official authorities and courts.
- Amending the Memorandum of Association of the Company's subsidiaries according to the Articles of Association.
- Representing the Company and subsidiary companies before the Notary Public, Department of Economic Development, Free Zone Authorities and all the competent authorities in making all the necessary amendments to the Companies' Articles of Association.

The term of those powers granted to the Management shall extend for the duration of the current term of the Board which shall end in 2019.



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G. Related parties' transactions (stakeholders) These are transactions in which any party of the Company can control or practice any significant influence on the other party in making financial and operating decisions. However, there are specific cases in which transactions of the related parties may be in the interest of the Company and its shareholders. Therefore, the Company adopted a policy to provide a framework for reviewing and approving the related parties' transactions for the interests of the Company and shareholders. It carries out transactions with related parties within market prices and provides services to related parties in market value as disclosed in its financial statements.

Statement of the details of transactions made with the related parties (stakeholders) for 2018

There are no significant transactions with the related parties (Stakeholders) other than those mentioned in the Clause No. (11) of the notes stated in the Company's financial statements for the year 2018, These are as follows:

Related party transactions and balances

Related parties include the significant shareholders, key management personnel, associate, joint ventures, directors and businesses which are controlled directly or indirectly by the significant shareholders or directors or over which they exercise significant management influence.

A. Related party transactions

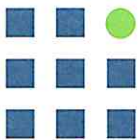
During the year, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Group's management.

	2018 AED '000	2017 AED '000
A significant shareholder		
Other operating income / finance income	2,536	3,566
Finance costs	18,365	17,036
Borrowings drawn down	188,947	88,425
Borrowings repayments	78,917	88,917

B. Remuneration of key management personnel

	2018 AED '000	2017 AED '000
Salaries and other short-term employee benefits	13,289	12,073
Termination and post-employment benefits	382	393
Board of Directors' remuneration (note (i))	1,892	2,609
	15,563	15,075

(i) In the current year, a provision for the Board of Directors' remuneration amounting to AED 1.9 million was recognised (2017: provision of AED 2.6 million). During the year, an amount of AED 1.8 million (2017: AED 3.2 million) in respect to prior year's Board of Directors' remuneration was paid after reversal of AED 0.8 million (2017: AED 1.1 million) based on the final approval of the shareholders in the Annual General Meeting dated 14 March 2018.



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C. Dues from related parties' companies

	2018 AED '000	2017* AED '000
Current		
Due from a joint venture	5,068	16,098
Due from other related parties	1,200,151	1,802,418
	1,205,219	1,818,516
Less: provision for impairment	(396,545)	(1,345)
	808,674	1,817,171

**The Group has applied the standard No. (9) of the International Standards for Financial Reporting - Financial Instruments as of 1 January 2018. According to the chosen converting method, the comparative information was not restated. Please see the Note No. (2-3) stated in the financial statements of the Company of 2018.*

Cash and bank balances include fixed deposits of AED 145 million (2017: AED 150 million) deposited with the significant shareholder of the Company (a bank), at market prevailing profit rates. In 2010, the Group entered into a sale and purchase agreement with a related party ("the purchaser") to sell properties for a sale consideration agreed on by both parties as per the initial agreement of AED 3,647.5 million following various amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 31 December 2018 is AED 1,198.7 million (31 December 2017: AED 1,801 million) against which a provision for impairment amounting to AED 395.1 million exists. The outstanding balance based on the last amendment effective from 31 December 2018, is to be settled by the purchaser no later than 31 December 2019.

Partial Settlement

In the current year, the Group has signed an amendment and partial settlement agreement with the related party for partial settlement of receivable balance by AED 602.2 million. A portion of this receivable amounting to AED 311.3 million was settled through a plot of land which was recorded at its fair value (See Note 8 mentioned in the financial statements of the Company for the year 2018).

Impairment provision

In the current year, provision for an amount of AED 651.9 million was recognised as an adjustment to equity as per transition requirements of IFRS 9. Subsequently, on partial settlement of receivable during the current year, an amount of AED 224.9 million was written off against the provision for impairment. Furthermore, a reversal of provision for impairment based on updated estimates in expected credit loss model amounting to AED 31.9 million has been recognised in the Group's consolidated financial statements. To determine the provision for impairment, management has applied certain key assumptions and judgments in accordance with IFRS 9 – Financial Instruments in order to determine the expected credit loss which includes the use of various forward-looking information that could impact the timing and/or amount of recoveries.

D. Due to related parties comprises:

	2018 AED '000	2017 AED '000
Current		
Due to a significant shareholder	-	411
	-	411

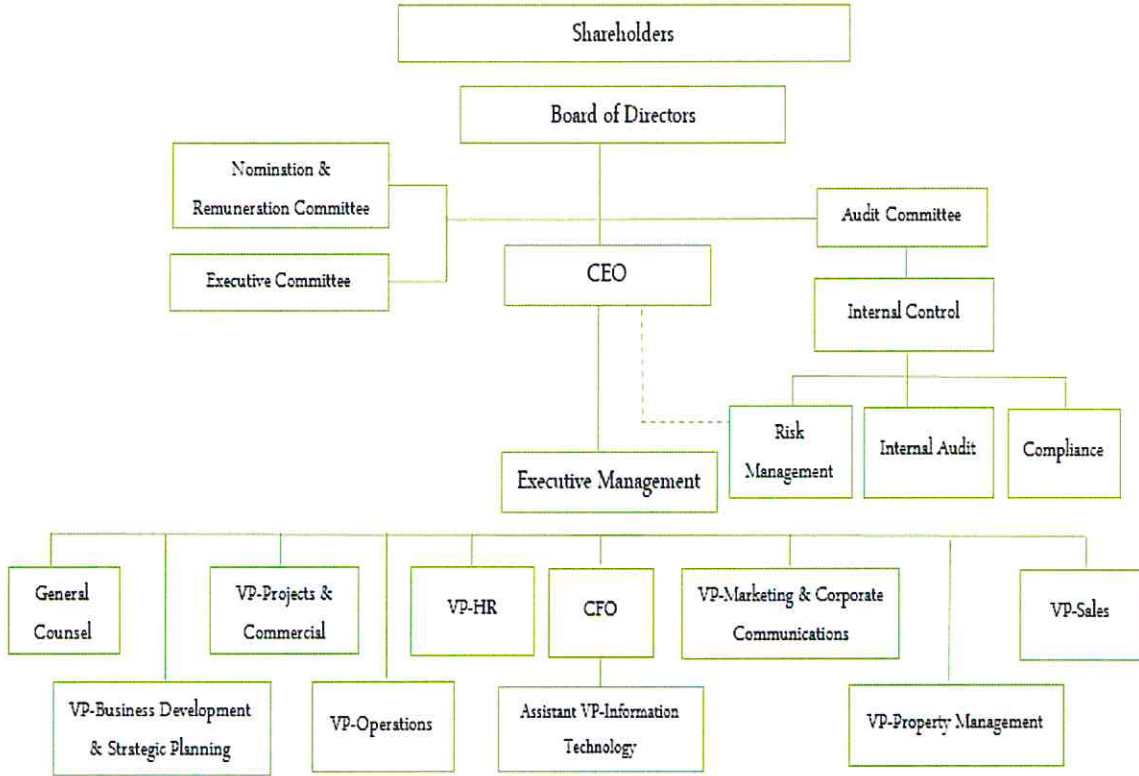
At 31 December 2018, the Group had bank borrowings from the significant shareholder (a bank) of AED 431.2 million (2017: AED 319.2 million) at market prevailing profit rates. See the Note 16 of the financial statements of the Company for year 2018.



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Governance Report for the year 2018

H. Organizational structure of the Company



I. Statement of Senior Executives Staff, their position, appointment dates, total salaries and benefits paid thereto:

No.	Position	Date of Appointment	Total Salaries and Allowances paid in 2018 (AED)	*Total Bonuses paid in 2018 (AED)	Any other Cash/in-kind benefits for 2018 or payable in the future
1	Chief Executive Officer (CEO)	1 Jun 2007	2,075,816	-	NA
2	Chief Financial Officer (CFO)	2 Aug 2015	1,440,805	-	NA
3	Vice President-Operations	1 May 2004	1,028,349	-	NA
4	Vice President-Sales	8 Jan 2006	1,205,543	-	NA
5	Vice President-Human Resources	15 Jul 2006	852,586	-	NA
6	Vice President-Business Development and Strategic Planning	16 Sep 2007	1,182,209	-	NA
7	Vice President-Marketing and Corporate Communications	1 Aug 2008	749,338	-	NA
8	Vice President-Property Management	2 Aug 2015	863,258	-	NA
9	General Counsel	7 Feb 2017	1,000,829	-	NA
10	Vice President-Projects & Commercial	8 Jul 2018	535,767	-	NA
11	Assistant Vice President-Information Technology	9 Nov 2016	446,038	-	NA

* There are no paid bonuses for 2018 as of report date. If any bonuses have been paid, we will make the necessary updates.



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4. External Auditor

KPMG was reappointed as external auditor for 2018 at the General Assembly on 14 March 2018 with the approval of majority shareholders. KPMG is one of the four world's largest accounting and auditing companies. It operates in 155 countries around the world and provides auditing, taxation and consulting services. It was established in the United Arab Emirates in 1973. For more than 44 years, KPMG has grown to 750 employees distributed in Abu Dhabi, Dubai and Sharjah offices.

Name of Auditing Firm	KPMG
Number of years served as an external auditor for the Company	5 years
Total fees for auditing the financial statements of 2018 (in AED)	AED 425,000
The fees and costs of the special services other than the auditing of the financial statements in 2018 (in AED), if any, and in case there are no other fees, this shall be expressly stated	AED 101,007
The details and nature of other services provided (if any), and in case there are no other services, this shall be expressly stated	Review of financial model related to implementation of IFRS 9 and its impact; and training of staff on IFRS 9.

A statement of the other services provided by an **external auditor other than** the Company's auditor in 2018:

Auditor	Type of deal	Amount (AED)
Ernst & Young Company	Consultancy services to assess the impact of Value Added Tax (VAT)	110,000
Deloitte & Touche Company	Internal audit services	232,870

There are no reservations by the External Auditor of the Company in the interim and annual financial statements for 2018.

5. Audit Committee:

A. Names of members of the Audit Committee

No.	Name	Title	Category
1	Mr. Saif Al Yarabi	Chairman	Non-executive (Independent)
2	Mr. Mohammed Al Sharif	Member	Non-executive (Non-independent)
3	Mr. Yasser Bin Zayed Al Falasi	Member	Non-executive (Independent)

The roles and duties assigned thereto:

1. Reviewing the financial policies and accounting procedures in the Company;
2. Setting and implementing the policy of contracting with the External Auditor and submitting reports to the Board, specifying the issues the Committee deems necessary to take actions in relation to, and submitting the Committee's recommendations concerning the required steps to be taken;
3. Monitoring the independence and objectivity of the External Auditor and discussing the nature and limits of the audit process and its effectiveness according to the approved

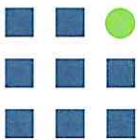


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audit standards. Ensuring the External Auditor's fulfillment of the terms and conditions stipulated in the applicable laws, regulations and resolutions and the Company's Articles of Association;

4. Monitoring the integrity of the Company's financial data and its reports (annual and quarterly) and reviewing it as part of the normal work duties during the year and after closing of the books after each quarter. It shall particularly focus on the following: Any changes in accounting policies and practices; highlighting the aspects subject to management's discretion; Substantial amendments resulting from the audit; the assumption of continuity of the Company's business; compliance with the accounting standards established by the Authority; compliance with the rules of listing, disclosure and other legal requirements regarding the preparation of the financial reports;
5. Coordination with the Board, the Executive Management, Chief Financial Officer or any person in charge who carry out the same responsibilities in the Company to perform its duties;
6. Meeting with the External Auditors of the Company at least once a year without the attendance of any of the Executive Management or its representative and discussing the nature and scope of auditing and its effectiveness in accordance with the approved auditing standards;
7. Considering any significant and unusual matters that are stated or must be stated in the financial and accounts reports and shall give due consideration to any matters issued by the Chief Financial Officer of the Company or the person in charge who carries out the same responsibilities, the Compliance Officer or the External Auditors;
8. Recommending to the Board the selection, resignation or dismissal of the External Auditor;
9. Reviewing the Company's financial control, internal control and risk management systems;
10. Discussing the internal control system with the Management and ensuring the latter's establishment of an effective internal control system;
11. Considering the results of investigations in internal control issues as assigned to the Committee by the Board or based on an initiative on the part of the Committee and the Board's approval of such initiative.
12. Reviewing the auditor's assessment of the internal control procedures and ensuring coordination between the Company's internal and external auditors;
13. Ensuring availability of the resources required for the Internal Control Department and monitoring its effectiveness;
14. Discussing all matters related to the work of the External Auditor, work plan and correspondence with the Company, observations & reservation and any essential questions issued by the External Auditor to the Executive Management regarding the accounting records, finance accounts or control systems and following up their response. Also, considering responsiveness of the Management and facilities provided to the External Auditors to carry out their work;
15. Ensuring timely response of the Board to inquiries and for illustration and substantial matters mentioned in the External Auditor letter;



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16. Setting the procedures that enable the employees of the Company to confidentially report any potential violations in financial reports, internal control or any other issues, and procedures necessary for conducting independent & just investigations concerning such violations and to monitor the Company's compliance with the code of conduct;
17. Reviewing of related parties' transactions of the Company and ensuring that no conflict of interest exists and submitting recommendations concerning such transactions to the Board before concluding contracts;
18. Ensure applying the work rules of its duties and authorities entrusted by the Board;
19. Providing reports and recommendations to the Board for abovementioned issues and considering any other issues that the Board shall specify.

B. Number and dates of the Audit Committee meetings held during 2018

The Committee held **four** meetings as follows:

No.	Name	Meeting Dates							
		25 Jan 2018		23 Apr 2018		17 Jul 2018*		14 Oct 2018	
		Attendance	Purpose	Attendance	Purpose	Attendance	Purpose	Attendance	Purpose
1	Mr. Saif Al Yarabi	√	Discussion of financial statements and	√	Discussion of financial statements and	√	Discussion of the financial statements	√	Discussion of financial statements and
2	Mr. Mohamed Al Sharif	√	Internal Control matters	√	Internal Control matters	√		√	Internal Control matters
3	Mr. Yasser Bin Zayed Al Falasi	√		X		√		√	
√	Attended the meeting	X	Absent with apology						

*The meeting was held by circulation and using modern technology methods

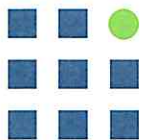
6. Nomination and Remuneration Committee

A. Names of members of the Nomination and Remuneration Committee

No.	Name	Title	Category
1	Mr. Abdullah Lootah	Chairman	Non-executive (Independent)
2	H.E. Khalifa Al Zaffin	Member	Non-executive (Independent)
3	Mr. Mohammed Al Nahdi	Member	Non-executive (Non-Independent)

The roles and duties assigned thereto:

1. Constantly verifying independence of the independent Board members;
2. Setting a policy on which basis of bonuses, privileges, incentives and salaries shall be granted to the Company's Board members & staff and ascertain that the remuneration and benefits granted to the Company's Executive Management are reasonable and in line with the Company's performance;
3. Determine the Company's requirements of competencies at the Executive Management and employees level and selection criteria of these requirements;
4. Prepare, review the policy of human resources annually and monitoring its implementation and training in the Company;
5. Organize and follow up the procedures of nomination for Board membership in accordance with the applicable laws, regulations and its provisions;



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6. Annual review of skills required for Board membership and prepare a description of the capabilities and qualifications required for Board membership including the time a member shall need to allocate to do their duties;
7. Review the Board structure and submit recommendations related to the changes that may be made;
8. Establish a policy of nomination for Board membership considering gender diversification within the Board composition and encouraging women nominees through offering incentive and training privileges and programs;
9. Any other matters determined by the Board.

B. Number and dates of Nomination and Remuneration Committee meetings held during 2018

The Committee held two meetings as follows:

No.	Name	Meeting Dates	
		30 Jan 2018	14 May 2018
1	Mr. Abdullah Lootah	√	√
2	H.E. Khalifa Al Zafin	√	√
3	Mr. Mohammed Al Nahdi	√	√
√	Attended the meeting	X	Absent with apology

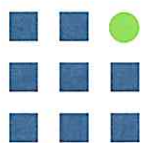
7. Insiders' Trading Committee

A. Names of the members of Insiders' Trading Committee

No.	Name	Title	Position
1	Mr. Hani Fansa	Chairman	Chief Financial Officer
2	Mr. Ali Sharif Al Marzooqi	Member	Vice President-Human Resources
3	Mr. Alaa Mansoor	Member	Public Relations and Investors Relations Manager

The functions and duties assigned thereto:

1. Prepare a register of all insiders' of the Company in addition to the persons who may have temporary access to internal information;
2. Prepare a policy related to the Board and employees trading in the Company's shares or its affiliates or associated companies' shares and approve this policy by the Board;
3. Take all measures necessary for maintaining confidentiality of the Company's essential information and to ensure dissemination does not occur;
4. Ensure dealing with related parties who have access to internal information including information of the Company and customers for maintaining its confidentiality, preventing abuse or transferring to other parties;
5. Ensure that all insiders sign declaration that they are aware of their status as insiders of the internal information about the Company & its customers and assume all legal consequences in case of disclosing the information or giving recommendations based on their access by virtue of their positions and informing the Company about any trading of shares of the Company or its affiliates before and after trading.



Governance Report for the year 2018

B. Summary of the Committee's activities in 2018

1. Prepare and update register of the insiders of the Company and relevant parties;
2. Send notices to the insiders by e-mail to inform about listing them within the List of Insiders;
3. Send disclosure of shares forms to the insiders;
4. Send the policy of the Insiders trading to the insiders.

8. Executive Committee

A. Names of members of the Executive Committee

No.	Name	Title	Category
1	H.E. Khalifa Al Zaffin	Chairman	Non-executive (Independent)
2	Mr. Abdullah Lootah	Member	Non-executive (Independent)
3	Mr. Mohammed Al Nahdi	Member	Non-executive (Non-Independent)
4	Mr. Obaid Lootah	Member	Non-executive (Non-Independent)

The Executive Committee shall assist the Board in executing its duties. In order to do so, the Executive Committee was authorized directly by the Board to take the necessary resolutions in order to facilitate the Company's business between the Board meetings.

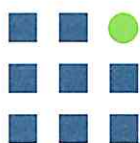
The functions and tasks assigned thereto:

1. Monitor and evaluate the achievement of the Company strategic objectives and initiatives, and provide the necessary instructions to the Executive Chairman in this regard;
2. Review the Company budget and provide recommendation to the Board;
3. Review and approve the projects feasibility study up to a maximum of (AED 200 million);
4. Review and approve the new projects development plans with a cost of (AED 400 million);
5. Approve the new or additional investments up to a maximum of (AED 100 million);
6. Approve the new or additional loans up to a maximum of (AED 100 million) of the affiliates, joint ventures, associate companies and others;
7. Ascertain the availability of the necessary terms and conditions of the loans or financing and approve the loans up to a maximum of (AED 50 million).

B. Number and dates of the Executive Committee meetings held during 2018

The Committee held two meetings as follows:

No.	Name	Meeting Dates	
		16 Jan 2018	1 Aug 2018
1	Mr. Abdullah Lootah	√	√
2	H.E. Khalifa Al Zafin	√	√
3	Mr. Mohamed Al Nahdi	X	X
4	Mr. Obaid Lootah	√	√
√	Attended the meeting	X	Absent with apology



Governance Report for the year 2018

9. Internal Control System

A. The Board declaration of its responsibility for the internal control system

The internal control system is deemed as an integral system established and monitors the application of the administrative measures, terms and laws of the Company's performance. The Board declares its responsibility for maintaining the internal control system and ensuring its continuous effectiveness. This system shall not be deemed as a deterrent or obstruction on the achievement of Company's objectives, however, it shall ensure the effectiveness of the performance and risk management in the Company.

The Board and the Audit Committee members have signed the Internal Control Department manual. The manual includes roles and functions of the Department which plays an important role in evaluating the internal control system's effectiveness for supporting the profitable objectives and functions of the Company by ensuring the reliability of the financial statements, efficient and economical use of resources, safeguarding of assets and ensuring compliance to policies and procedures.

- The Internal Control Management working mechanism at the Company:

The Internal Control Management carry out its responsibilities according to corporate governance requirements and international standards issued by Institute of Internal Auditors and its guidelines by ascertaining the internal control system's effectiveness and that procedures applied to monitor the Company's operations shall be properly designed and implemented in an effective manner including the Company and its employees' compliance with the provisions of the applicable laws and regulations, resolutions, policies and procedures and follow up mechanism of risk management. The Internal Control Department is reporting to the Board through the Audit Committee so that the Department and its staff are independent to carry out the duties and responsibilities entrusted to them. It ensures the internal control system's efficiency and effectiveness in accordance with its risk based annual plan approved by the Audit Committee authorised by the Board and submits reports including observations and recommendations related to internal control system's improvement to the Management and the Audit Committee. The Company also adopted a risk management framework based on qualitative and quantitative assessment of the risks faced by the Company that may affect the achievement of the Company's strategic, operational and financial objectives by assessing the risks associated with these objectives and processing them through internal controls as one of the effective means of managing, reducing, controlling or transferring risks.

B. Name, qualifications and date of appointment of the Head of Internal Control Department

Bassam El Ghawi is the Head of Internal Control Department since August 2014. He is a specialist in control and has extensive experience for 24 years in internal and external auditing, risk management, corporate governance, compliance and fraud investigation. He has a Bachelor's degree in Accounting and Economics, Diploma in Risk Management from



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the American Academy of Financial Management and has also the following professional certificates: *Certified Internal Auditor (CIA) – IIA*; *Certified Information Technology Auditor (CISA) - ISACA*; *Certified Fraud Examiner (CFE) - ACFE*; *Certified Risk Management Auditor (CRMA) - IIA*; *Certified Compliance Officer (CCO) Arab Certified Public Accountant ACPA - ASCA*; *Certified Risk Management Information Control Systems Auditor (CRISC) - ISACA*.

C. Name and qualifications of the Compliance Officer:

In July 2017, the job description of the Head of Internal Control Department was amended to include the duties and responsibilities of the Compliance Officer of the Company. Hence, the Head of Internal Control Department acts as Compliance Officer by ascertaining the extent to which the Company and its employees comply with the applicable laws, rules, resolutions and regulations issued by relevant authorities including the Securities and Commodities Authority and Dubai Financial Market, monitoring compliance with the Company's policies and procedures and code of conduct. In addition, to submit clarifications to the Board (through the Audit Committee) and the Company's employees about issues related to compliance.

The Internal Control Department method in handling any significant issues in the Company:

The Internal Control Department reviews the significant issues in the Company, if any, in detail by identifying its nature and classifying in terms of degree of risk and by determining the size of the issue and evaluating the extent of the negative consequences that may affect the Company. To prevent further aggravating its occurrences, the Department submits its reports on observations resulting from the review and provides recommendations to the Executive Management and the Board through the Audit Committee. It monitors the implementation of recommendations by ensuring that Board resolutions are implemented. In addition, the Department issues periodic reports to the Audit Committee summarizing the results of its activities as follows:

- **On quarterly basis:** Information on the status and results of the annual audit plan, activities of internal audit staff, results of external quality assessments and adequacy of Department's resources.
- **Twice a year:** Provides a list of Department's objectives achieved that are approved by the Audit Committee.
- **On annual basis:** Assess the appropriateness and effectiveness of the internal control system. The assessment covers all key controls of the Company, including financial and operational controls and risk management system. The implementation of these recommendations is also monitored periodically through issuance of a written report as required.

In addition, according to the approved annual audit plans, the Internal Control Department did not encounter any significant issues within the Company which required to be disclosed in the 2018 annual financial statements.

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10. Details of violations committed during 2018 and its reasons, how they are addressed and how to avoid recurrence in the future

No fine or penalty is levied to the Company or any restrictions by the Securities and Commodities Authority or any legal authority of any matter relating to financial markets. In addition, there are no cases of non-compliance with any applicable laws and regulations related to it.

11. Cash and in-kind contributions made by the Company in 2018 for local community development and environmental conservation

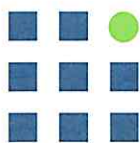
During 2018 the Company launched the second phase of Deyaar Al Khair House Maintenance Program in cooperation with Dar Al Ber Society and Beit Al Khair Society. Through the program, seven houses for low-income families in the United Arab Emirates have been maintained at a total cost of AED 376,000. It has also made a financial contribution to Ajman Charity Authority amounting to AED 10,000.

Also, the Company organised several community initiatives such as “Dubai Walk for Education” which was organized by Dubai Cares and women's sports activities to support breast cancer patients. A two-day campaign to donate blood in cooperation with the Blood Bank in Dubai was also organised in addition to a public health day and providing of free examinations for its employees.

12. General Information

A. Statement of the Company's share price in the market (closing price, highest and lowest price) at the end of each month during 2018:

Month	Highest price	Lowest price	Closing price
January	0.60	0.58	0.59
February	0.54	0.53	0.53
March	0.48	0.47	0.48
April	0.48	0.47	0.47
May	0.48	0.47	0.48
June	0.43	0.42	0.43
July	0.43	0.42	0.43
August	0.40	0.40	0.40
September	0.44	0.43	0.43
October	0.45	0.44	0.44
November	0.40	0.39	0.40
December	0.34	0.34	0.34

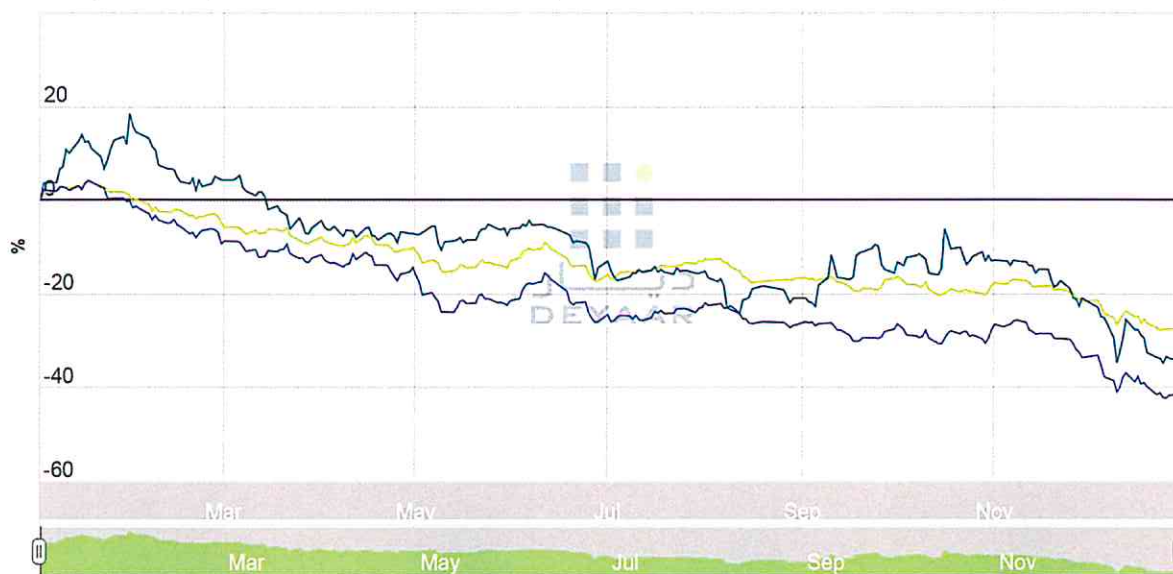


Governance Report for the year 2018

B. Statement of the comparative performance of the Company's shares with market index and sector index to which the Company belongs during 2018:

02/01/2018 - 31/12/2018

• Deyaar Development 0.34 • **DFM General Index 2,529.75** • DFM Real Estate & Constructions 4,103.01



C. Statement of shareholding distribution as of 31 December 2018 (individual, companies, governments) classified as follows: Local, GCC, Arab and Foreign:

Shareholder category	Percentage of shares held					Total
	Individual	Companies	Government	Banks	Institution	
Local	36.06%	11.46%	0.53%	41.20%	0.10%	89.35%
GCC	1.66%	1.66%	-	0.06%	0.01%	3.39%
Arab	2.68%	0.16%	-	0.02%	-	2.86%
Foreign	1.80%	2.42%	-	0.18%	-	4.40%
Total	42.20%	15.70%	0.53%	41.46%	0.11%	100%

D. Statement of the shareholders who owned 5% or more of the Company's capital as of 31 December 2018

Name	Number of shares held	% of shares held of the Company's capital
Dubai Islamic Bank (PJSC)	2,367,999,220	40.983%



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DEYAAR

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E. Statement of the method of shareholders' distribution in accordance with amount of ownership as of 31 December 2018:

No.	Shares owned	Number of shareholders	Number of shares held	% of shares held
1	Less than 50,000	27,663	354,317,737	6.13%
2	From 50,000 to less than 500,000	3,902	584,696,227	10.12%
3	From 500,000 to less than 5,000,000	745	937,162,699	16.22%
4	More than 5,000,000	85	3,901,823,337	67.53%
	Total	32,395	5,778,000,000	100%

F. Statement of the procedures taken in respect of the Investor Relations:

It has been dealt with all shareholders' inquiries and directed the inquiries required therefrom to relevant departments of the Company. The Investor Relations section in the website is updated with all financial statements and annual report, presentation of the Company's strategy, its financial data and handed over projects. The page of the Company in the Dubai Financial Market has also been updated complying with the disclosures on time.

- Name of Investors Relations Officer and a communication data with the Officer:

Name of Officer	Mr. Ala Addin Mansoor, Public Relation and Investor Relations Manager
Communication Data	
Phone Number:	04/3840175 or 04/3840909
Email:	IR@deyaar.ae / Alah@deyaar.ae

- Electronic link of the Investors Relations Page on the Company website:

Arabic page:	http://www.deyaar.ae/ar/investor-relations
English page:	http://www.deyaar.ae/en/investor-relations

G. Statement of special resolutions presented to the General Assembly held in 2018 and procedures taken with respect thereto:

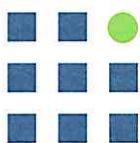
There are no any special resolutions presented to the General Assembly held during 2018.

H. Name of the Board Secretary and the date of his appointment:

Mr. Amer Ayed Al Zuobi - General Counsel and Board Secretary, he was appointed on 8 February 2017.

I. Statement of significant events occurred during 2018:

- Reported revenues of AED 751.6 million and net profit of AED 130.04 million during 2017;
- Offered investment incentives to Dubai Government employees;



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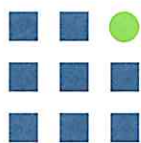
- Approved number of technical solutions provided for first time to the real estate sector in the Middle East;
- Won “The Best Real Estate Project” award in the affordable housing category for Midtown;
- Handed over Mont Rose Project;
- Reported growth in the revenue and net profits during the first quarter of 2018;
- Deyaar Owners Association Management won Dubai Quality Appreciation Award for 2017;
- Released new units at Dania district with Ramadan special offer;
- Launched the second phase of “Deyaar Al Khair”;
- Completed The Atria residential tower;
- Reported 2018 first half revenue amounting to AED 314 million;
- On 11 July 2018, the Court of Cassation has rendered a judgment of approving the Judgment rendered by the Court of Appeal stipulates to oblige a real estate development company to return a total amount of AED 151 million to the Company including fees, expenses and legal interest in a real estate dispute between the parties. The judgment was executed on 12 September 2018 and the awarded amounts were deposited at the Court. The execution file was closed after payment of all awarded amounts.
- Achieved considerable progress of its projects during 2018;
- Launched Bella Rose residential project at Cityscape;
- Appointed Condor Building Contracting as main contractor for Bella Rose;
- Announced the opening date of Millennium Atria Business Bay;
- Reported net profit of AED 100.8 million during the first nine months of 2018.

J. Statement of Emiratization percentage in the Company as of 2018:

The Company adheres to provide suitable jobs opportunities for the UAE nationals to sharpen their skills and develop their work experiences. The Company provides a suitable work environment and attractive incentives for the citizens to encourage them for creativity and development. Whereas the UAE nationals have priority of employment as appropriate to the applicable legislations and laws in the country. The Company encourages its UAE national employees to complete their study and continue their career development through providing suitable training. The percentage of UAE national employees in the Company represents around 9% of the total number of the employees of 2018. We aim to increase this percentage during the next years by providing new jobs in accordance with the general strategy of the Company.

K. Projects and innovations which the Company launched or are under development during 2018:

- **Microsoft HoloLens and Mixed Reality**
Deyaar is one the first company in the region to host Microsoft HoloLens. Microsoft HoloLens is the first self-contained, holographic computer which works with programmed digital content and interact with holograms with the live environment. In



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the last Cityscape 2018, with the help of MS Hololens mixed reality, the Company showcased the service apartments in Atria in Business Bay. By using the device, customers were able to visualize the room layouts in real-world scale, interact with objects, furniture and other contents in the most natural ways possible.

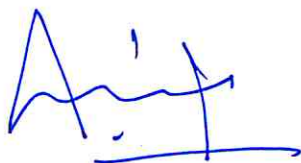
- **Yardi Voyager**

The Company implemented the cloud-based solution Yardi Voyager to manage its iconic residential and commercial assets. Yardi Voyager will support the full range of business' services, enhance the processes, and maximize customer satisfaction. This was a major leap towards achieving Deyaar's all-time strategy of combining technology and state-of-the-art infrastructure to offer an international standard of living. Alongside Voyager 7S, which streamlines property accounting, lease and property management, Deyaar has adopted Orion Business Intelligence. This powerful, fully mobile solution has more than 200 built-in key performance indicators and flexible reports and dashboards that help monitor and improve property and portfolio performance.

- **Robots in Leasing branches**

The Company deployed robots in its leasing branches for interacting with the customers and guiding them to speed up the leasing process.

Yours faithfully,



Abdulla Al Hamli
Chairman of Deyaar Development PJSC
14/03/2019

