

Deyaar Development PJSC

Governance Report

2020



Deyaar Development PJSC
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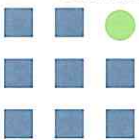
Governance Report for 2020

In accordance with the resolution of Securities & Commodities Authority (“Authority”) Chairman No. (7/R.M) of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies and resolution No. (3/R.M) of 2020 concerning adopting the Corporate Governance Guide for Public Joint Stock Companies and pursuant to the provision of Article No. (77) of this Resolution, Deyaar Development PJSC (“the Company”) has submitted this Governance report for the fiscal year ended on 31 December 2020. This report was prepared in accordance with 2020 governance report template approved by the Authority which was issued on 28 January 2021. This report will be available to all 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 2020 and its method of implementation

The Board of Directors (“the Board”) believes in the importance of applying the highest standards of governance to enhance the Company’s performance, protect shareholders’ rights and achieve sustainable growth in financial markets, as the Board of Directors and the Executive Management established an internal control system which is deemed as a conclusive element of the Company’s governance structure. The Governance framework in the Company complies with principles and standards specified and applied by both the Authority, Dubai Financial Market and the provisions set forth within the Federal Law No. (2) of 2015 on Commercial Companies regarding the determination of governance requirements. In 2020 the Management has effectively applied governance rules and in a transparent manner based on the responsibility of the Board towards the shareholders to protect and promote their rights through the following:

- Development of the governance manual according to the legislations and resolutions of the Authority;
- The Board held four meetings during the year and notified the Dubai Financial Market with dates and results of these meetings according to the procedures applicable in the Dubai Financial Market. Additionally, four meetings of the Audit Committee, one meeting of the Nomination & Remuneration Committee and three meetings of the Executive Committee were held;
- The independent Directors’ commitment of disclosing any change affecting their independence and continuously ascertaining thereof;
- Confirmation of Committees’ composition, charter and responsibilities and any additional duties assigned by the Board to these Committees. The Board monitors and receives reports from these Committees in line with the rules and regulations of the Authority;
- Establishment 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 powers and authorities assigned thereto pursuant to the internal control system and powers approved by the Board;
- Confirmation of the powers granted to the Management and its duration necessary to practice its duties and any additional tasks assigned by the Board;
- Disclosure of the quarterly and annual financial statements reviewed by the External Auditors & approved by the Board and submitting thereof to the Dubai Financial Market and the Authority;
- The Board through the Audit Committee developed a framework and strategy to manage the risks and recognition of the acceptable levels of risks available to the Executive Management to be followed and complied with;
- A female Board member has been elected and appointed in the Board to ensure gender diversity and women contribution in the Company’s board of directors;
- Review of the internal control system and update and approve some of the Company’s policies and procedures such as procedures which govern Board members and employees’ trading activities, whistle-blowing policy, policy on annual remuneration and code of conduct.



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2. Ownership and transactions of Board of Directors, their spouses and children in the Company's securities during 2020

The Directors are committed to the policy defined in the Company's governance manual concerning trading of securities issued by the Company. Further, the Directors adhered to the period of trading prohibition stated in the system of trading, setoff, settlement, transfer and holding of securities issued by the Authority. The Directors disclose their own and their first-degree relatives' trading on an annual basis using the form prepared for this purpose.

No.	Name	Position/ Kinship	Owned shares as on 31/12/2020	Total sale	Total purchase
1	Mr. Abdullah Al Hamli	Chairman	NA	NA	NA
2	Mr. Abdullah Lootah	Vice-Chairman	-	6,532	NA
2.1	Mrs. Sherina Nasser Lootah	Relations Wife hip	6,532	NA	NA
3	H.E. Khalifa Al Zaffin	Board member	NA	NA	NA
4	Mr. Mohamed Al Sharif	Board member	NA	NA	NA
5	Mr. Mohammed Al Nahdi	Board member	NA	NA	NA
6	Dr. Adnan Chilwan	Board member	NA	NA	NA
7	Mr. Obaid Nasser Lootah	Board member	309,552	NA	NA
8	Mr. Yasser Bin Zayed	Board member	NA	NA	NA
9	Ms. Maryam Mohammed Bin Fares	Board member	NA	NA	NA

According to the statement of the Directors and as per the response from Dubai Financial Market sent to the Company dated 28 February 2021 under Ref. No.2021/00445 stating that "There is only one transaction for the board member Mr. Abdullah Lootah and there is no any other transaction by the other members."

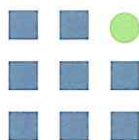
3. Board of Directors' Formation

The Board dedicates all efforts and uses its expertise to improve the Company's performance according to shareholders objectives. Such objectives are converted into actions which are closely monitored by the Board along with the Executive Management to ensure the sustainability and add value to all stakeholders. We have set a governance framework to ensure the effectiveness of the Board members in fulfilling their duties toward the main objectives and facilitate their positive contribution. The Board has delegated some tasks and responsibilities to the Committees where each committee submits reports and recommendations to the Board of Directors in a responsible and transparent manner.

A. Statement of the current Board formation:

According to Federal Law No. (2) of 2015 on the Commercial Companies and Article No. (15) of the Company's Articles of Association, the Board of Directors was elected by the General Assembly for a subsequent term of three years on 15 April 2019. The Board of Directors consists of nine Non-Executive Board members. The Board members are classified as Non-Executive / Non-Independent or Non-Executive / Independent according to the definition of each category by the Authority. Noting that the Chairman of the Board and majority of the Directors are citizens of United Arab Emirates.





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



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No.	Name	Category (Executive, Non- executive and Independent)	Experience	Qualifications	Period served as a Board member from the date of first election	Their membership and positions in any other joint- stock companies	Their positions in any other important regulatory, government or commercial companies
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 (12 years)	Managing Director of Dubai Islamic Bank PJSC	Chairman of Emirates REIT and Chairman of Al Tanmyah Services LLC.
2	 Mr. Abdullah Lootah	Vice Chairman Non-executive / Independent	Real estate, trading and investments	Bachelor of Business Administration from the Dubai Men's College, United Arab Emirates	Appointed since 2008 (12 years)	-	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 (14 years)	-	Executive Chairman of Dubai Aviation Corporation and Executive Chairman of Dubai aviation Engineering Projects; Chairman of Cleveland Bridge; Board member in Dubai World Trade Centre; 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 Catholic University of America; accredited CPA from Virginia State of Council of Accountants	Appointed since 2009 (11 years)	Chief of International Business & Real Estate Investments at Dubai Islamic Bank PJSC	Vice Chairman in Tamweel and 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 Mustansiriyah University in Baghdad	Appointed since 2009 (11 years)	-	Member of the Board of Directors of Dubai Islamic Bank in Khartoum and Board Member in Tanmyah LLC Member of NRC and the Executive Committee of the Company

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No.	Name	Category (Executive, Non- executive and Independent)	Experience	Qualifications	Period served as a Board member from the date of first election	Their membership and positions in any other joint- stock companies	Their positions in any other important regulatory, government or commercial companies
6	 Dr. Adnan Chihwan	Board Member Non-executive / Non-Independent	Banking, marketing, real estate, financing and investments	Doctorate and master's in marketing and Bachelor in Islamic Banking and Insurance at American University of London; and Certified Islamic Banker (CeIB)	Appointed since 2009 (11 years)	Group Chief Executive Officer of Dubai Islamic Bank PJSC	Member of the board of Tamweel and Associate Fellow Member in Islamic Finance Professionals Board
7	 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 (10 years)	-	Board Member at Arady Development LLC; and Member of the Executive Committee of the Company
8	 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 (4 years)	-	Chief Operating Officer at Dubai Office; Board member in Falcon Holding Ltd. and Chairman of Audit Committee of the Company
9	 Ms. Maryam Mohammed Bin Fares	Board Member Non-executive/ Independent	Banking and Corporate Treasury Management	Master's Degree in International Business at Wollongong University Dubai, United Arab Emirates	Appointed in 2019	-	Senior Manager Treasury Dealing at Etihad Airways; and Member of the Audit Committee of the Company

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B. Statement of the percentage of female representation in the Board for 2020:

The female representation is 10% of the total number of Board members.

C. Statement of the reasons for the absence of any female candidate for the Board membership:

The Company has taken the necessary measures to take into account the diversification between the genders and considered it in the policy of the elections held in April 2019 as the nomination for Board membership was open to all those who meet the legal requirements, and the Company ensured to have amongst the candidates at least two female candidates in the election of Board members. Therefore, two female candidates have been nominated for Board membership, and only one of them has been elected.

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

1. Total remunerations paid to the Board members for 2019:

An amount of AED 2.70 million was given as a remuneration from the net profit for the financial year ended in 2019 (after deducting depreciations and reserve), representing AED 300 thousand for each Board member after obtaining approval from the General Assembly.

2. Total remunerations of the Board members proposed for 2020 to be presented in the annual General Assembly meeting for approval:

Given that the Company did not achieve net profit for the fiscal year ended 31 December 2020, it is proposed not to pay remuneration to the Board members.

3. Allowance paid to the Board members for attending meetings of the Board Committees for 2020:

The Board of Directors did not receive allowance for attending the meetings of the Board Committees. *(We will make the necessary update if any proposal / policy is submitted by the BOD to pay allowances for attending the committees' meetings for the year 2020 and approving them in the upcoming General Assembly meeting).*

4. Additional allowances, salaries or fees paid to the Board members for 2020 other than the attendance allowance:

No additional allowances, salaries or fees were paid to the Board members. *(We will make the necessary update if any proposal / policy is submitted by the BOD to pay additional allowances, salaries or fees for the year 2020 and approving them in the upcoming General Assembly meeting).*

E. Board of Directors meetings for the fiscal year 2020

The Board of Directors held four (4) meetings during 2020 as follows:

No.	Name	Meeting Dates			
		11 Feb 2020	14 May 2020	12 Aug 2020	25 Nov 2020
1	Mr. Abdullah Al Hamli	√	T	√	√
2	Mr. Abdullah Lootah	√	T	T	√
3	H.E. Khalifa Al Zaffin	√	T	√	√
4	Mr. Mohamed Al Sharif	√	T	√	√
5	Mr. Mohammed Al Nahdi	√	T	√	√
6	Dr. Adnan Chilwan	√	T	√	√
7	Mr. Obaid Nasser Lootah	√	T	√	√
8	Mr. Yasser Bin Zayed Al Falasi	√	T	√	X
9	Ms. Maryam Mohammed Bin Fares	√	T	√	√
√	Attended the meeting	X	Absent with apology	T	Attended through modern technology

F. Number of Board decisions issued by circulation during 2020

Two decisions were issued by circulation, the first on 10 March 2020 and documented in the subsequent Board meeting on 14 May 2020. The second was on 22 June 2020 and was documented in the subsequent Board meeting on 12 August 2020.

G. Duties and responsibilities assigned by the Board of Directors to the Executive Management:

The Board authorized the 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 and the amendments therein dated 29 December 2019. The Board also granted the CEO a set of authorities determined under a valid and indefinite - term power of attorney issued on 10 September 2015. The Board approved the extension of these authorities delegated to the CEO during the meeting held on 1 May 2019, summarized as follows:

- Executing all tasks and necessary matters to manage and operate the Company to achieve its objectives and conduct its business on all financial and administrative aspects, representing the Company in its dealings with third parties and signing all contracts.
- Filing and registering lawsuits, claims and demands and defending Company's interests 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 cheques and commercial documents under the terms and conditions and powers determined by the Board represented by the Chairman of the Board. As well as signing all kinds of contracts and assigning of its ownership before government authorities provided that these actions are 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, joint ventures, associates, or strategic alliances with other parties in the United Arab Emirates as approved by the Board.

The Board also authorized the General Counsel & Secretary of the Board - Mr. Amer Al Zoubi on 15 June 2017. The Board approved the extension of these authorities during the meeting held on 1 May 2019 summarized as follows:

- Representing the Company in all matters of disclosure and compliance before all competent official authorities including the Securities & Commodities Authority and the Dubai Financial Market. Also, he may delegate some of these authorities to other employees of the Company. As well as representing the Board before the Notary Public in authentication and ratifying all the minutes of Board meetings.
- Representing the Company in all legal matters before all official authorities and courts.
- Amending the Memorandum of Association of Company's subsidiaries according to the new commercial law.
- Representing the Company and its subsidiaries before the Notary Public, Department of Economic Development, free zone authorities and all the competent authorities in making all necessary amendments to the Companies' Articles of Association.

These authorities have been extended until the current session of the Board which ends in 2022.

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H. Statement of the details of transactions made with related parties (stakeholders) during 2020

Apart from those mentioned in the Clause No. (11) of the notes in the financial statements of the Company for the year 2020, there are no material transactions with related parties (stakeholders) or any other parties during 2020. The transaction detail as follows:

Details of transactions with related parties (stakeholders) during 2020

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control and key management personnel.

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.

	2020 AED '000	2019 AED'000
Ultimate majority shareholder		
Other operating income/finance income	2,937	2,488
Finance cost	16,355	22,369
Borrowings drawdown	60,350	151,500
Borrowings repayments	239,349	113,858

b) Remuneration of key management personnel

	2020 AED '000	2019 AED'000
Salaries and other short term employee benefits	13,938	14,322
Termination and post-employment benefits	423	461
Board of Directors' remuneration	-	1,288
	<u>14,361</u>	<u>16,071</u>

In the current year, no provision for the Board of Directors' remuneration was recognised (2019: provision of AED 1.3 million). During the year, an additional provision for the Board of Directors' remuneration amounting to AED 1.4 million was recognised (2019: AED 0.6 million) based on the final approval of the shareholders in the Annual General Meeting dated 8 April 2020.

c) Due from related parties comprises:

	2020 AED '000	2019 AED'000
Current		
Due from a joint venture	1,473	8,412
Due from other related parties	962,046	1,200,127
	<u>963,519</u>	<u>1,208,539</u>
Less: provision for impairment	(396,475)	(396,532)
	<u>567,044</u>	<u>812,007</u>

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 195 million (2019: AED 142 million) and fixed deposits of AED 100 million (2019: AED 205 million), 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 3,648 million.

During the year, Group has entered into amendments agreement with the related party pertaining to certain properties. These properties were under dispute with UAE based developer ("a related party")

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against which in the prior year, the Group has received a favourable court judgment to the extent of AED 412 million plus compensation and cumulative legal interests for which the execution is currently under process as at the reporting date. Accordingly, a balance of AED 412 million is now presented as due from a related party.

Following these amendments and various previous amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 31 December 2020 is AED 516.6 million (31 December 2019: AED 1,198.7 million) against which a provision for impairment amounting to AED 362.9 million exists. The outstanding balance based on the last amendment effective from 31 December 2019, is to be settled by the purchaser no later than 31 December 2021.

Impairment provision

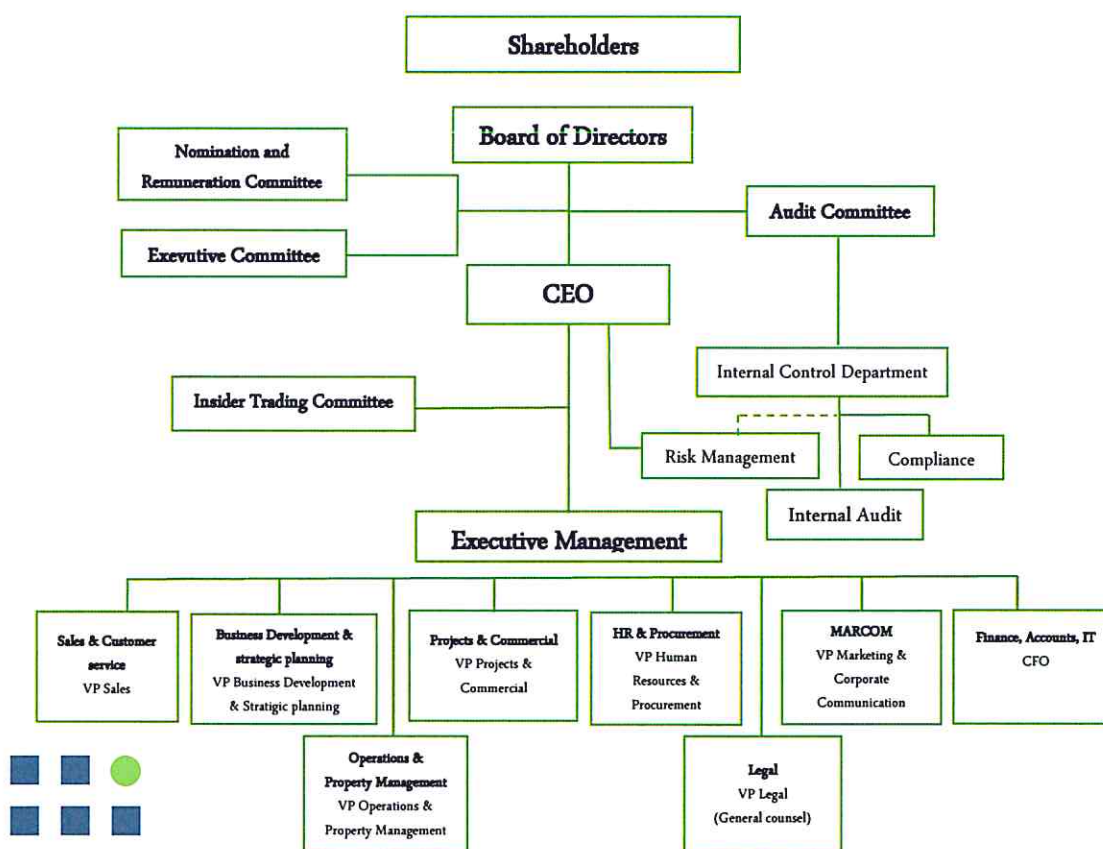
To determine the provision for impairment, management applied certain key assumptions and judgments in accordance with IFRS 9 - Financial Instruments in order to determine the expected credit loss which includes the use of various forward-looking information that could impact the timing and/or amount of recoveries.

d) Due from related parties comprises:

	2020 AED '000	2019 AED'000
Current		
Due to a significant shareholder	133	247
Due to other related parties	397	1,553
	530	1,800

At 31 December 2020, the Group had bank borrowings from the ultimate majority shareholder of AED 289.8 million (2019: AED 468.8 million) at market prevailing profit rates.

I. Organisational structure of the Company



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J. Statement of Senior Executives staff, their positions and date of appointment, total salaries and bonuses paid thereto:

No.	Position	Appointment date	Total salaries and allowances paid for 2020 (AED)	Total Bonuses paid for 2020 (AED)*	Any other cash/in-kind bonuses for 2020 or due in the future
1	Chief Executive Officer (CEO)	1 Jun 2007	2,075,816	-	NA
2	Chief Financial Officer (CFO)	2 Aug 2015	1,445,792	-	NA
3	VP Operations and Property Management	1 May 2004	1,059,966	-	NA
4	VP Sales	8 Jan 2006	1,205,181	-	NA
5	VP Human Resources	15 Jul 2006	861,754	-	NA
6	VP Business Development and Strategic Planning	16 Sep 2007	1,191,263	-	NA
7	VP Marketing and Corporate Communications	1 Aug 2008	751,959	-	NA
8	VP Legal (General Counsel)	7 Feb 2017	1,047,153	-	NA
9	VP Projects & Commercial	8 Jul 2018	1,219,308	-	NA

* There are no bonuses paid for the year 2020 as of report date. If any bonuses have been paid, we will make the necessary update.

4. External Auditor

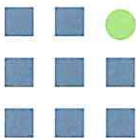
- A. Deloitte & Touche M.E. (Deloitte) was reappointed as external auditor for the year 2020 at the General Assembly meeting on 8 April 2020 and with the approval of majority shareholders. Deloitte is one of the four world's largest accounting and auditing companies. The company provides auditing, taxation and consulting services in various sectors.
- B. Statement of fees and costs related to auditing or services provided by the external auditor:

Name of Audit Office	Deloitte & Touche (Middle East)
Name of Partner Auditor	Mohammad Jallad
Number of years served as the Company's external auditor	Two years
Number of years the Partner Auditor spent auditing the Company's accounts	Two years
Total audit fees for 2020 (in AED)	AED 399,000
Fees and costs of special services other than auditing the financial statements for 2020 (in AED), if any, and in case of absence of any other fees, this shall be expressly stated	No other fees
Details and nature of other services (if any). If there are no other services, this shall be expressly stated.	No other services

A statement of other services provided by an **external auditor other than** the Company's auditor in 2020:

Auditor	Partner Auditor	Type of services	Amount (AED)
KPMG Lower Gulf Limited	Maryam Zaman	Consulting services	255,000

- C. There are no reservations made by the External Auditor of the Company in the interim and annual financial statements for the year 2020.



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5. Audit Committee:

A. Mr. Yasser Bin Zayed Al Falasi, Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

B. Names of members of the Audit Committee

No.	Name	Title	Category
1	Mr. Yasser Bin Zayed Al Falasi	Chairman	Non-executive / Independent
2	Mr. Mohammed Al Sharif	Member	Non-executive / Non-independent
3	Ms. Maryam Mohammed Bin Fares	Member	Non-executive / Independent

The roles and duties assigned thereto:

1. Reviewing the Company's financial policies and accounting procedures;
2. Setting and implementing the policy of contracting with the External Auditor and submitting reports to the Board of Directors, specifying the important issues that require actions with recommendation on the steps to be taken;
3. Monitoring the independence and objectivity of the External Auditor and discussing the nature and scope of the audit process and its effectiveness according to the approved 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 its duty 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 areas subject to management's discretion; Material modifications resulting from the audit; assumption of continuity of the Company; 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 of Directors, the Executive Management, Chief Financial Officer (CFO) or whoever 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 presence of the Executive Management or any of its representative and discussing the nature and scope of auditing and its effectiveness in accordance with the approved auditing standards;
7. Examining any significant and unusual terms that are stated or must be stated in those reports and accounts and shall give due consideration to any matters issued by the CFO or whoever carries out the same responsibilities, the Compliance Officer or the External Auditors;
8. Providing recommendation to the Board of Directors regarding 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 Board of Directors and ensuring the latter's establishment of an effective internal control system;
11. Examining the results of primary investigations in internal control matters as assigned to the Committee by the Board of Directors or initiated by the Committee with Board approval on such initiative.
12. Reviewing the auditor's assessment of the internal control procedures and ensuring the coordination between the Company's internal and external auditors;
13. Ensuring availability of resources required for the Internal Audit Department and monitoring the effectiveness of such department;
14. Discussing all matters related to the External Auditor duties, work plan and correspondence with the Company, observations & reservations and any essential questions raised by the

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15. External Auditor to the Executive Management regarding the accounting records, financial accounts or control systems and following up on their response and monitor the responsiveness of the Management and necessary facilities provided to the External Auditors to carry out their work;
16. Ensuring timely response of the Board of Directors to inquiries and substantial matters mentioned in the letter of the External Auditor;
17. Setting the rules that enable employees of the Company to confidentially report any potential violations of financial reports, internal control or any other issues, and procedures necessary for conducting independent & fair investigations concerning such violations and to monitor the extent to which the Company complies with the code of conduct;
18. 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 of Directors before concluding contracts;
19. Ensuring implementation of the work rules of its duties and authorities entrusted by the Board;
20. Submitting reports and recommendations to the Board of Directors for abovementioned issues; Considering any other issues determined by the Board of Directors.

C. Number and dates of the Audit Committee meetings held during 2020

The Committee held four (4) meetings as follows:

No.	Name	Meeting Dates							
		26 Jan 2020		10 May 2020		23 Jul 2020		25 Oct 2020	
		Attendance	Purpose	Attendance	Purpose	Attendance	Purpose	Attendance	Purpose
1	Mr. Yasser Bin Zayed Al Falasi	√	Discussion of financial statements	T	Discussion of financial statements	√	Discussion of financial statements	√	Discussion of financial statements
2	Mr. Mohamed Al Sharif	√	and matters of Internal Control	T	and matters of Internal Control	√	and matters of Internal Control	√	and matters of Internal Control
3	Ms. Maryam Mohammed Bin Fares	√		T		√		√	
√	Attended the meeting	T	Attended through modern technology						

6. Nomination and Remuneration Committee

- A. Mr. Abdullah Lootah, Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

B. 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, benefits, incentives and salaries shall be granted to the Company's Board members & staff and ascertain that the remuneration and benefits granted to Executive Management are reasonable and in line with the Company's performance;
3. Determining Company's requirements of competencies at the level of Executive Management and employees' level and selection criteria of these requirements;
4. Preparing human resources and training policy, monitoring its implementation and reviewing thereof on annual basis;

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5. Organizing and following up the Board nomination procedures according to the applicable laws, regulations and its provisions;
6. Annual review of appropriate skills required for Board membership and preparation of capabilities and qualifications for Board membership including the time a member shall need to allocate to fulfill their duties;
7. Reviewing of the Board of Directors' structure and submitting recommendations related to the changes that may be made;
8. Establishing a board membership policy with the aim of gender diversification within the formation and encouraging women nominees through offering of incentive and training benefits and programs;
9. Any other matters determined by the Board of Directors.

C. Number and dates of Nomination and Remuneration Committee meeting held during 2020

The Committee held one (1) meeting via modern technology as follows:

No.	Name	Meeting Date
		31 Dec 2020
1	Mr. Abdullah Lootah	T
2	H.E. Khalifa Al Zafin	T
3	Mr. Mohammed Al Nahdi	X
T	Attended through modern technology	X Absent with apology

7. Insiders' Trading Committee

A. Mr. Hani Fansa, Insiders' Trading Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

B. 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 roles and duties assigned thereto:

1. Preparing a register of all insiders in the Company in addition to the persons who may have temporary access to internal information;
2. Preparing rules and regulations related to Board of Directors and employees trading in the Company's shares or its affiliates or associated companies' shares and approve these rules and regulations by the Board;
3. Take all necessary measures for maintaining confidentiality of the Company's essential information and ensure dissemination does not occur;
4. Take the necessary procedures to ensure related parties who have access to internal information including information of the Company and the customers maintain confidentiality and prevent this information from abuse or transferring to other parties; and
5. Ensure that all insiders sign a declaration that they are aware of their status as insiders and have access to 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.

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C. Summary of the Committee's activities in 2020

1. Update register of insiders of the Company.
2. Sending the updated register of insiders to Dubai Financial Market and the Authority as per the template provided.

8. Executive Committee

- A. H.E. Khalifa Al Zaffin, Executive Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

B. 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 of Directors in implementing its missions. In order to do so, the Executive Committee was authorized directly by the Board of Directors and granted all powers to take the necessary resolutions in order to conduct Company's works in periods between the Board of Directors meetings.

The roles and tasks assigned thereto:

1. Monitor and evaluate the progress of achieving Company's strategic goals and initiatives along with providing the necessary directions to the CEO in this matter;
2. Review the Company budget and provide recommendation to the Board of Directors;
3. Review and approves the feasibility studies with total cost up to AED 200 million;
4. Review the feasibility studies for projects that exceed AED 200 million and provide recommendations to the Board;
5. Review and approves new project development plans with total costs of up to AED 400 million;
6. Review new project development plans that exceed AED 400 million and provide recommendations to the Board;
7. Approves new/additional investments up to AED 100 million;
8. Review new/additional investments that exceed AED 100 million and provide recommendations to the Board;
9. Approves new/additional loans up to AED 100 million to existing subsidiaries, joint ventures, associates and others;
10. Ensures appropriate terms and conditions of loan/financing arrangements and approves loan of up to AED 50 million;

C. Number and dates of Executive Committee meetings held during 2020

The Committee held three (3) meetings as follows:

No.	Name	Meeting Dates		
		4 Mar 2020	28 Jul 2020	1 Nov 2020
1	H.E. Khalifa Al Zaffin	√	√	√
2	Mr. Abdullah Lootah	√	√	√
3	Mr. Mohamed Al Nahdi	√	√	√
4	Mr. Obaid Lootah	√	√	√
√	Attended the meeting			

9. Internal Control System

A. Board of Directors acknowledgment of its responsibility for the Company's internal control system

The internal control system is an integrated system established and monitors the application of the administrative measures, terms and laws of the Company's performance. The Board acknowledges 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, risk management and internal control system of 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.

Mechanism of the Company's Internal Control Department:

The Internal Control Department carries 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 of Directors and submits reports including observations and recommendations related to systems' 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 through insurance and evaluate the level of protection provided by this framework.

B. Name and qualifications 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 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 whereby the Head of

Governance Report for 2020

Internal Control Department performs the duties of 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 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 of Directors (through the Audit Committee) and the Company's employees about issues related to compliance.

D. 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 of Directors 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 staffs, 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 plan, the Internal Control Department did not encounter any significant issues within the Company which required to be disclosed in the 2020 annual financial statements.

E. Number of reports issued by the Internal Control Department to the Board of Directors

The Internal Control Department reports to the Board through the Audit Committee and issued reports during 2020 to the Committee according to the approved audit plan. The number of reports issued is shown below:

Report type / Quantity	Internal Control	9	Internal Audit	17	Compliance	1	Risk management	9
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10. Details of violations committed during 2020, its reasons, how they are addressed and how to avoid their recurrence in the future

The Company has not incurred any fines and has not been subject to any restrictions by the Authority or any legal authority on any matter relating to financial markets. In addition, there were no cases of non-compliance with any of the applicable laws and regulations related to financial year 2020.

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11. Cash and in-kind contributions made by the Company during 2020 for local community development and environmental conservation

During 2020, Deyaar launched a number of contributions and community initiatives. Deyaar and its subsidiaries held number of blood donation drives at the company Head Office, residential and commercial projects, in addition to the hotels. The Company also carried out a number of awareness campaigns for employees and residents alike. A carnival was held for residents in Midtown in February 2020 to welcome new owners and residents to the community at a cost of AED 270,999. During 2020, Deyaar participated with Dubai Cares, as part of Mohammed bin Rashid Al Maktoum Global initiative in the annual 'Walk for Education'.

The Company takes various initiatives to reduce energy consumption. The Company contributed in recycling documents, newspapers, magazines and initiated use of digital documentation to minimize print. Deyaar hospitality sector conducted energy saving through BMS, including using of blast chillers for speedy freezing process that benefits both the consumer and business. Company's employees participated in the virtual smart living session that was held by Dubai Electricity and Water Authority (DEWA) as part of their campaign 'Smart Living' an initiative that monitors consumption and smart ways to reduce excess consumption.

The Company also organized Flag Day to mark the anniversary of the President, His Highness Sheikh Khalifa bin Zayed Al Nahyan, when he became the president of the UAE in 2004. The day renews the national spirit and reflects on the success of the country.

To reduce the effects of Covid 19, the company was keen to spread awareness at the workplace and provide a safe and healthy environment to stop the spread of the disease. Deyaar Hospitality provides training programs for employees on precautionary measures as part of enhancing the skills of the workforce and supporting them during this crisis and protecting the health and safety of all parties and protecting guests during their stay at our hotels.

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 2020:

Month	Highest price	Lowest price	Closing price
January	0.36	0.35	0.36
February	0.31	0.31	0.31
March	0.22	0.21	0.21
April	0.30	0.29	0.29
May	0.27	0.25	0.26
June	0.28	0.28	0.28
July	0.28	0.27	0.28
August	0.31	0.30	0.30
September	0.29	0.28	0.29
October	0.28	0.27	0.27
November	0.28	0.27	0.27
December	0.28	0.28	0.28

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B. Statement of the comparative performance of the Company's shares with general market index and sector index to which the Company belongs during 2020



C. Statement of shareholders' ownership distribution as on 31 December 2020 (individual, companies, governments) classified as follows: Local, Gulf, Arab and Foreign

Shareholders classification	Percentage of shares held					
	Individual	Companies	Government	Banks	Institution	Total
Local	36.671%	10.866%	0.531%	41.090%	0.052%	89.211%
Gulf	1.712%	1.731%	-	0.12%	0.005%	3.568%
Arab	3.065%	0.248%	-	0.002%	-	3.315%
Foreign	1.624%	2.189%	-	0.094%	-	3.907%
Total	43.072%	15.034%	0.531%	41.306%	0.057%	100%

D. Statement of the shareholders owning 5% or more of the Company's capital as on 31 December 2020

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

E. Statement of the method of shareholders distribution according to the volume of shares as of 31 December 2020

No.	Shares ownership	Number of shareholders	Number of owned shares	Percentage of owned shares
1	Less than 50,000	27,153	346,043,451	5.989%
2	From 50,000 to less than 500,000	3,728	565,480,960	9.787%
3	From 500,000 to less than 5,000,000	800	1,013,389,841	17.539%
4	More than 5,000,000	86	3,853,085,748	66.686%
	Total	31,767	5,778,000,000	100%

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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 reports, 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 Hasan, 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 in the General Assembly held in 2020 and procedures taken with respect thereto:

On 8 April 2020, a special resolution was approved by the General Assembly to reduce the Company's capital from AED 5,778,000,000 (Five billion seven hundred seventy-eight million) to AED 4,546,221,056 (Four billion five hundred forty-six million two hundred twenty-one thousand fifty-six) which is a reduction of AED 1,231,778,944 (One billion two hundred thirty-one million seven hundred seventy-eight thousand nine hundred forty-four) provided that part of the accumulated losses as on 31 December 2019, amounting to AED 1,530,1336,761 will be written off using the legal reserve amounting to AED 298,357,817 as on that date and the remaining accumulated losses amounting to AED 1,231,778,944 will be written off by cancellation of shares.

Amendment was also approved on Article 5.1 of the Company's Articles of Association stating "The issued share capital of the Company shall be AED 5,778,000,000 (Five Billion Seven Hundred Seventy-Eight Million UAE Dirhams) divided into 5,778,000,000 shares (Five Billion Seven Hundred Seventy-Eight Million shares) of AED 1 each" to be read as "The issued share capital of the Company shall be AED 4,546,221,056 (Four Billion Five Hundred Forty-Six Million Two Hundred Twenty-One Thousands and Fifty-Six UAE Dirhams) divided into 4,546,221,056 shares (Four Billion Five Hundred Forty-Six Million Two Hundred Twenty-One Thousands and Fifty-Six shares) of AED 1 each."

The Company has taken the initial approval from the Securities and Commodities Authority and the Economic Department to reduce the capital as well as on the mechanism of the reduction.

The Board of Directors, in its meeting held on 17 February 2021, reviewed the financial statements for the year ending 31 December 2020, and took impairment and fair value loss adjustments against the Company's assets mainly in the hospitality sector due to Covid-19 pandemic and the overall economic situation. Hence, the Board of Directors decided to recommend to the shareholders to cancel the capital reduction in 2021 General Assembly.

H. Name and date of appointment of Board Secretary

Name of Board Secretary	Amer Ayed Al Zu'bi
Date of appointment	28 February 2017

I. Statement of transactions made with related parties during 2020 that are equal to or more than 5% of the Company's capital

During the year 2020, Deyaar entered into two facility agreements with a major shareholder (Bank) amounting to AED 444 million, both of which were approved by the independent members of the Board of Directors during its meeting on 14 May 2020. In accordance with Article 34 of the Authority's Board Chairman Decision No. (3/R.M) of 2020 regarding concluding deals with related parties and since these deals exceed 5% of the Company's capital i.e. 7.68% of AED 5.77 billion, a clarification has been requested from the Authority in this regard and clarification has been made.

The Authority clarified that the nature of these deals falls within the jurisdiction of the Board of Directors as stipulated in the Company's Articles of Association and since the Company entered into a loan facility agreement with banks and such activity is among the usual business that fall within the scope of their activities. Hence, the Company entering into loan facility agreement with the major shareholder (Bank) is not considered one of the deals that must be presented to the General Assembly. Article 34 is not applicable but rather falls within the jurisdiction of the Board of Directors as long as it does not include preferential conditions in favor of the main shareholder (related parties).

J. Statement of significant events and important disclosures occurred during 2020

- Reported revenues of AED 603.7 million for 2019;
- Began handover of second phase of Midtown, Dania District;
- Launched new Midtown district;
- Held its general assembly meeting on 8 April 2020;
- Proceeded with capital restructuring;
- Rebranded Owners Association Management division as Deyaar Community Management;
- Announced Q1 financial results;
- Announced results for the 1st half of 2020;
- Announced preliminary interim unreviewed results for first nine months of 2020;
- Awarded contract worth AED370 million for phases three and four of Midtown;

K. Statement of Emiratisation percentage in the Company at the end of years 2018, 2019 and 2020

The Company is keen to provide suitable job opportunities for UAE nationals to sharpen their skills and develop their work experiences. The Company provides a suitable work environment and attractive incentives 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 thorough providing suitable training. The percentage of UAE national employees in the Company in 2018, 2019 and 2020 is 9%, 10% and 10% respectively. We aim to increase this percentage in the upcoming years by creating new job opportunities in line with the overall strategy of the Company.

L. Innovative projects and initiatives carried out by the Company or are under development during 2020

- Deyaar announced the launch of Property Management website in August 2020 as a gateway to real estate services to provide customized and professional solutions at an affordable cost that meets the needs of developers and residents as well as corporate and individual owners that manage assets such as commercial, residential and mixed-use properties, lands, apartments, residential villas, warehouses, stores, offices, labour camps, car parks and mosques.

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- Due to the pandemic situation all over the world including UAE, Deyaar successfully organized the remote general assembly meeting for the first time in April 2020. It also successfully implemented normal day to day functioning through remote work policy and held online meetings with internal and external parties in addition to organizing several events remotely.

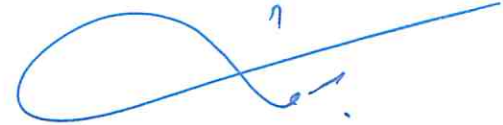
Yours faithfully,




Yasser Bin Zayed
Chairman of Audit
Committee



Abdullah Lootah
Chairman of Nomination &
Remuneration Committee



Bassam El Ghawi
Head of Internal
Control Department



Abdulla Al Hamli
Chairman of Deyaar Development PJSC

