

2012

CORPORATE GOVERNANCE REPORT



National Marine Dredging Company

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1. INTRODUCTION

The purpose of this document is to report on the corporate governance framework at National Marine Dredging Company ("NMDC" or the "Company"), in accordance with the Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards ("Corporate Governance Code") issued by the Securities and Commodities Authority ("ESCA"). The Corporate Governance Code became binding on listed joint stock companies on 30 April 2010.

This report includes a discussion on the following:

1. Corporate Governance Practices - the principles of the Company's corporate governance framework and the approach the Company takes to the implementation of these principles;
2. Board of Directors (the "Board") - the role of the Board in connection with the Company's corporate governance framework, the structure and composition of the Board, the terms of membership of the Directors including membership in other joint stock companies and details about their remuneration from the company;
3. Directors' dealings in NMDC securities - a description of the Company's share dealing policy, and the Company's approach to ensuring that it complies with its disclosure obligations relating to Directors' dealings in NMDC securities;
4. External Auditors - a brief about the auditor company including a statement of the fees and expenses relating to auditing or other services provided by the Company's external Auditor;
5. Board committees- a description of the composition, functions and responsibilities of the three Board Committees – Audit Committee, Nomination and Remuneration Committee and Technical Committee;
6. Internal Control System - a description of the Company's internal control system, and the Company's approach to complying with that system;
7. Company's Contribution – in development of local community and environment protection during the year 2012; and
8. General information - certain other information requested by ESCA, including whether there were any corporate governance violations committed during 2012 and, if so, the steps taken to remedy these violations, and to ensure that they are not repeated in future.

2. CORPORATE GOVERNANCE PRACTICES

2.1. Corporate Governance Rules

The Company recognizes that good corporate governance is of critical importance and is an invaluable tool in shaping and enhancing the performance of NMDC. The Board of NMDC is committed to implementing strong corporate governance practices to a standard derived from an amalgam of UAE guidelines and international best practice, applied in the context of NMDC which includes the following:

- An effectively functioning and well informed Board;
- Clearly defined roles and responsibilities of the Board, its members, its Committees, and key company officers and executives;
- Effective communication with shareholders through the Annual General Meeting, Corporate Governance reports, periodic and annual financial reporting, and regular dialogue;
- Complying with the continuous disclosure rules of ESCA and the Abu Dhabi Securities Exchange ("ADX");
- Ensuring that the Company's performance and financial reporting are properly directed and controlled through an effective internal control system; and
- Adopting high ethical standards and practices by the Company, its officers, and employees.

To achieve these aims, and to ensure compliance with the specific requirements of the Corporate Governance Code issued by ESCA, the Company has developed and implemented its Corporate Governance Manual, which contains policies on the following subjects:

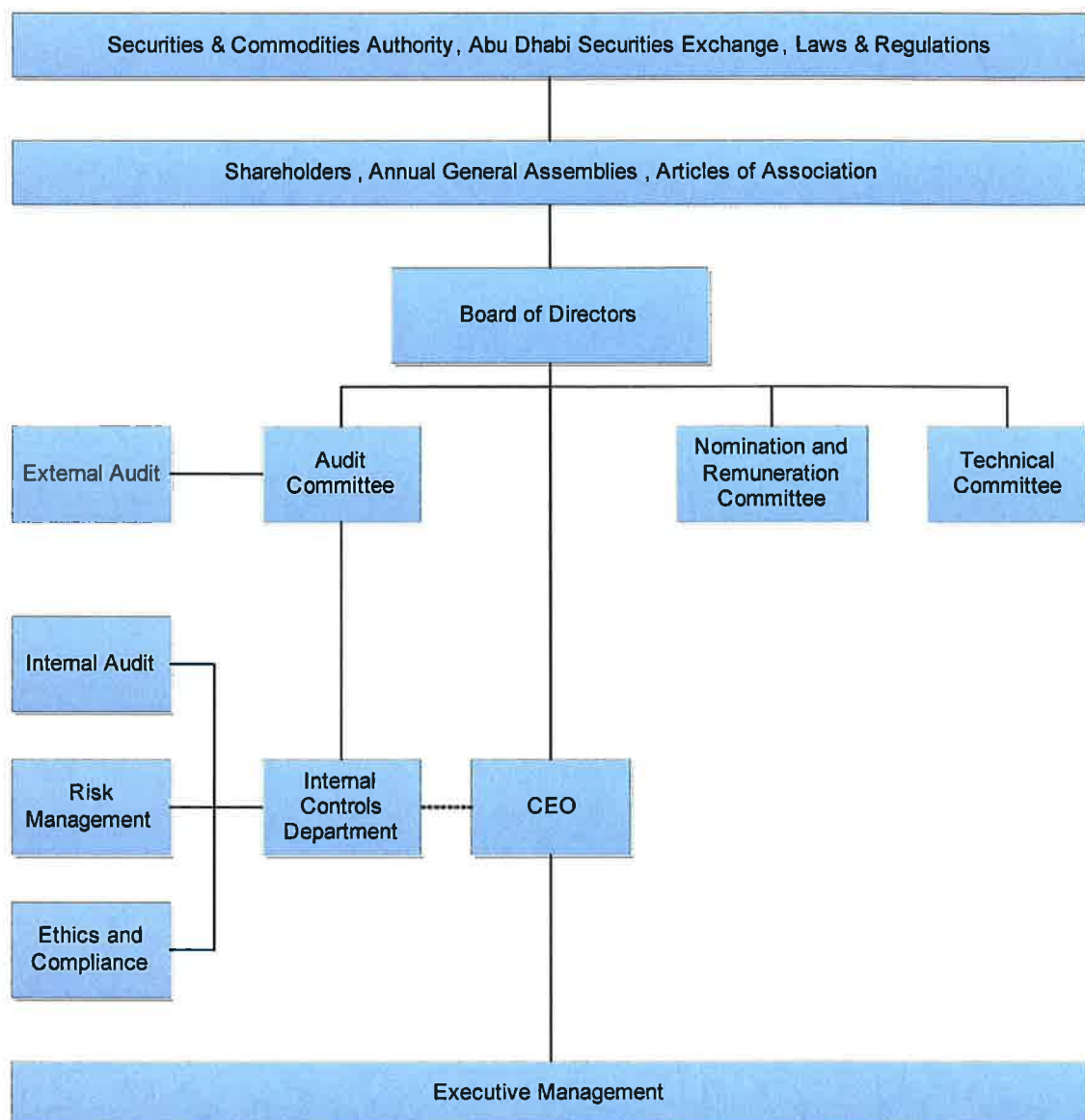
- Board and Director Matters;
- Board Committees;
- Delegation of Authority to Management;
- Relationship with Shareholders;
- Company's Disclosure Obligations;
- Internal Control System;
- Engagement of External Auditor;
- Code of Conduct;
- Share Dealing Policy;
- Audit Committee Terms of Reference;
- Nomination and Remuneration Committee Terms of Reference; and
- Technical Committee Terms of Reference

The Board will review the Company's Corporate Governance Manual at least once a year, to ensure that it keeps abreast of regulatory changes, changes to the operations of the Company, and prevailing corporate governance concepts.

2.2. Corporate Governance Structure

The Board plays a central role in the Company's corporate governance framework. It is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders. The Board is assisted in this process by various Board Committees (particularly the Audit Committee and the Nomination and Remuneration Committee), external and internal auditors, and Company officers and employees (including the Chief Executive Officer, the Chief Financial Officer, the Ethics and Compliance Officer, and other members of Management).

The following illustrates the corporate governance structure at NMDC:



2.3. Disclosure Practices

The Company is committed to complying with all of its disclosure obligations, including to ESCA, the ADX and to shareholders, so that trading in its shares can take place in an informed market. In 2012, the Company made regular disclosures to ESCA and ADX, including in relation to its quarterly and annual financial statements, its upcoming Board meetings and decisions, and other announcements on key financial and/or operational matters/transactions.

2.4. Delegation of Authority

The Board has delegated to the CEO certain levels of authority to conduct the business of the Company within the United Arab Emirates and abroad, and to carry out all acts reasonably necessary to fulfill the Company's objects. The CEO may delegate any of his powers with the approval of the Board.

The Board has approved, in its meeting dated October 13, 2010, the delegation of expenditures approval mandate/authorities. Furthermore, the Company adopts a written policy on the approval of purchases (supplies and services), payroll and related employee expense claims, and petty cash transactions.

The Board has also delegated certain authority to its three Board Committees, being the Audit Committee, the Nomination and Remuneration Committee and the Technical Committee

2.5. Code of Business Conduct and Fraud Control Policy

The Company has adopted a Code of Business Conduct and Fraud Control Policy, which addresses the following areas:

- Compliance with Laws and Regulations;
- Personal Conduct;
- Standard of Conduct;
- Confidentiality and Intellectual Property Rights;
- Integrity and Conflicts of Interest;
- Competition and Fair Dealing;
- Protection and Proper Use of the Company's Assets;
- Health and Safety;
- Reporting any Violations of the Code;
- Compliance Procedure; and
- Disclosure in Reports and Documents.

Company officers and employees are required to comply with this Code in performing their duties.

2.6. Director's Induction Policy

The Company's policy on Director Induction requires all new Directors to participate in the Company's induction program. This program includes presentations by Management to familiarise new Directors with the Company's strategic plans, business operations and activities, business units and departments, and principal officers and employees. The program aims at providing the information required to ensure that a new director understands his/her duties and responsibilities under the - applicable laws and regulations, the Company's Corporate Governance framework, and understands the Company's policies and procedures.

3. BOARD OF DIRECTORS

3.1. Role of the Board

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through the management of the Company's business. In particular, the Board is responsible for providing strategic direction, management supervision and adequate controls with the objective of promoting the success and long-term value of the Company. The Board also plays a central role in the Company's corporate governance framework. It is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders.

3.2. Composition of the Board

The current Board of Directors was elected by the Company's shareholders in the Company's Annual General Meeting (held on 06 April 2010). The Board is comprised of the following members:

Name	Designation	Membership Category	Year of Appointment
Mr. Mohamed Thani Murshid Al Rumaithi	Chairman	Government nominated	2007
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	Vice Chairman	Non-Executive	2004
Mr. Abdulla Ali Musleh Al Ahbabi	Member	Government nominated	2007
Mr. Darwish Abdulla Khadem Al Qubaisi	Member	Government nominated	2007
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Member	Independent	2007
Mr. Ahmed Omar Salem Al Kourbi	Member	Independent	2007
Mr. Mohamed Rashed Mubarak Al Kitbi	Member	Independent	2010
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	Member	Independent	2007
Mr. Ahmed Saeed Al Mureikhi	Member	Independent	2010

All of the Directors' terms of office will expire upon the Company's Annual General Assembly in 2013.

All of the above Directors are considered as non-executive and independent, according to the definitions used in the Corporate Governance Code. In particular, that Code provides that a Director is non-executive if they are not dedicated on a full time basis to the management of the Company or do not receive a monthly or annual salary from the Company. All of the Directors satisfy this definition and are thus considered as non-executive Directors

The Corporate Governance Code also provides that a Director cannot be deemed to be independent if he/she satisfies any of the following:

- He/she is an employee of any party related to the Company during the last two years;
- He/she is directly related to a Company that performs consultation business or provides consultations to the Company or any parties related thereto;
- He/she enters into personal service contracts with the Company, any party related to the Company or the employees of the executive management of the Company;
- He/she is directly related to a non-profit organization that receives a considerable financing from the Company or a party related thereto;
- He/she is during the last two years related to or an employee of any external or former auditor of the Company or any party related to the Company; or
- His/her or his/her minor children's share or the share of both in the capital of the Company amounts to ten percent or more.

To ensure their continued independence, Directors are required to disclose the nature of their positions with other organizations, including companies and public institutions, and indicate the set term of each position, when they first join the Company, and when their positions change.

3.3. Director's Qualification and Experience

The Directors' qualifications and experience are as follows:

Name	Designation	Qualification	Experience (Years)	Other Memberships
Mr. Mohamed Thani Murshid Al Rumaithi	Chairman	Businessman	15+	<ol style="list-style-type: none"> Chairman of Abu Dhabi Chamber of Commerce & Industry Chairman of Federation of UAE Chambers of Commerce & Industry Chairman of Al Jazeera Sports and Cultural Club Board member of Abu Dhabi Sports Council Board member of Agthia Group Board member of Emirates Competitiveness Council Board Member of Abu Dhabi Council For Economic Development Vice Chairman of U.S. – U.A.E. Business Council Board member of British U.A.E. Business Council
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	Vice Chairman	Businessman	15+	<ol style="list-style-type: none"> CEO of Al-Rubaya Group Chairman of Al-Khazna Insurance Company
Mr. Abdulla Ali Musleh Al Ahabbi	Member	Master of Business Administration	15+	-
Mr. Darwish Abdulla Khadem Al Qubaisi	Member	Bachelor of Finance Sciences	15+	<ol style="list-style-type: none"> General Manager of ESNAAD Company Board member of IRSHAD Company
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Member	Businessman	15+	<ol style="list-style-type: none"> CEO of Abdul Khaleq Al Khouri Company & Brothers. CEO of Milipol International Company.
Mr. Ahmed Omar Salem Al Kourbi	Member	Bachelor of Business Administration	15+	<ol style="list-style-type: none"> Board Member of Ras Al Khaima White Cement Company. Board member of Umm Al Quwain Cement Company Vice Chairman of Dubai Building Cooperative Society
Mr. Mohamed Rashed Mubarak Al Kitbi	Member	Businessman	10+	-
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	Member	Businessman	10+	<ol style="list-style-type: none"> Managing Director of Electromechanical Company. Board Member of Al-Rubaya Group Managing Director of Al-Khazna Insurance Company
Mr. Ahmed Saeed Al Mureikhi	Chairman	Bachelor of Electrical Engineering	15+	-

3.4. Directors Remunerations

The Company's General Assembly determines the remuneration of the Board directors on an annual basis. According to the Company's Articles of Association and the Corporate Governance Code, the Director's remuneration cannot exceed 10% of the net profits of the Company, after deducting 10% of the net profits to the statutory reserve, and paying a first dividend to shareholders of at least 5%.

The Nomination and Remuneration Committee is also required to review, at least annually, the remuneration proposed to be paid to Directors, whether in their capacity as members of the Board or of Board Committees, and make recommendations to the Board as considered appropriate.

The Company's Board of Directors had recommended an amount of AED 40 million for Director's and Employee bonus out of which AED 14.3 million (in aggregate) has been approved for Director's Bonus for 2012 in the Annual General Meeting held on 24 April 2013. Bonus of AED 986 thousand and AED 24.71 million were approved for management and employees respectively by the Board of Directors.

Apart from the above bonuses, no other remuneration or allowances has been paid/ proposed to be paid to the Board members for attending the meetings of the board or membership remuneration in the committees formed by the board.

3.5. Board of Directors Meeting

The Board of Directors held five (5) meetings during 2012 on the following dates:

Name	Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5
	31-01-2012	22-02-2012	20-03-2012	23-05-012	11-12-2012
H. E. Mohamed Thani Murshid Al Rumaithi	✓	✓	✓	✓	✓
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✓	✓	✓
Mr. Abdulla Ali Musleh Al Ahbabi	✗	✗	✗	✓	✓
Mr. Darwish Abdulla Khadem Al Qubalsi	✗	✓	✓	✓	✓
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	✓	✓	✓	✓	✓
Mr. Ahmed Omar Salem Al Kourbi	✓	✓	✓	✓	✓
Mr. Mohamed Rashed Mubarak Al Kitbi	✓	✓	✓	✗	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✓	✓	✗
Mr. Ahmed Saeed Al Mureikhi	✓	✓	✓	✓	✗

✓ refers to attendance

✗ refers to absence

The minutes of each meeting were signed by all Directors who attended the relevant meeting. In compliance with the Corporate Governance Code, the Company will endeavor that the Board meetings in 2013 and beyond takes place at least once every two months.

3.6. Duties and Competencies of the Board performed by Executive Management

Under the Articles of Association, and by virtue of various resolutions, the Board of Directors of the Company have delegated to the CEO, other Committees of the Board, or other officers, the authority to transact business on behalf of the Company. To that end, the Board has delegated to the CEO authority to conduct the business of the Company within the UAE and abroad, and to carry out all acts reasonably necessary to fulfil the Company's objects with certain financial limits which currently stands at AED 2 million.

Specifically, the CEO holds a special power of attorney dated 11.06.2011 and signed by the Chairman to:

- Sign all correspondence of the Company before Governmental and Local Departments;
- Complete legal transactions on behalf of the Company in accordance with the Company's regulations and procedures;
- Address, send and receive notices and warnings on behalf of the Company;
- Visit all federal or local departments and establishments for completing and signing all the administrative, legal and judicial requirements of the Company's business;
- Sign all bids, tenders, supply contracts and projects contracts executed by the Company or on its behalf via subcontracting; and
- Sign sale contracts for selling some materials, vehicles or metals that the Company wishes to dispose of and sell to third parties.

3.7. Executive Management

The CEO, supported by the management team, is responsible for the day-to-day management of the Company's businesses. The table below details the current executive management team at NMDC along with their respective positions, date of appointment and the salaries, allowances and bonuses paid to them for the financial year 2012:

Name	Position	Date of Appointment in current position	Total Salaries & Allowances paid for 2012 (AED)	Bonus for 2012 (AED)
Yasser Nasser Zaghloul	Chief Executive Officer	01-01-2010	2,130,175	Note 1
Ahmed Abdulla Al Jabir	Chief Supporting Officer	16-12-2010	1,309,450	175,000
Ronald Ferguson	Ex- Chief Technical Support Officer	16-12-2010	1,151,100	Note 2
Hassan Nagaty Khalifa	Chief Organization Development Officer	16-12-2010	1,077,000	175,000
Gautam Pradhan	Chief Financial Officer	04-08-2009	1,044,500	200,000
Antoun Hoogendoorn	Chief Commercial Officer	13-09-2012	323,107	36,000
Bert Bouwmeester	Chief Projects Officer	13-09-2012	294,961	200,000
Mohamed Afan	Chief Technical Officer	13-09-2012	288,107	200,000

Note 1: Till the date of this report the Board of Directors have not finalised the bonus for the Chief Executive Officer of the Company.

Note 2: No bonus was paid to the Ex- Chief Technical Support Officer in line with Company's policy not to pay bonus to employees who had resigned during 2012.

4. DEALING IN NMDC SECURITIES AND WITH OTHER CONCERNED PARTIES

The Company has adopted a policy on Directors' and employees' dealing in the Company's securities, for the purpose of ensuring that the Company's Directors and employees (and their closely related individuals) do not deal or trade in securities issued by the Company or its subsidiary or sister companies based on undisclosed confidential information or in circumstances of conflict.

4.1. Company Share Dealing Policy

The following represents the key aspects of the Share Dealing Policy:

- No director or employee of the Company (or any subsidiary or other company controlled by NMDC) may deal in Company securities whilst they are in possession of any information which could affect the price of these securities, where such information has not been disclosed to the ADX.
- Trading may not take place during any black-out period, which is generally the period commencing in the last two weeks of an accounting quarter, and ending once the accounts for that quarter have been released to the market.
- Directors who are not in possession of such information as referred to above, and who are not proposing to trade in any black-out period, may only deal in the securities of the Company with the prior written consent of the Chairman (or, in his absence, of the Vice-Chairman), whilst employees who are not in such possession may only do so with the prior written consent of the CEO (or, in his absence, the Company Secretary).

4.2. Share Dealing Policy Implementation Measures

The Board and the individual Directors as well as Company management understand their obligations with respect to disclosure requirements in connection with their dealings in NMDC securities and are compliant with all requirements set by ESCA and the ADX.

Additionally, a yearly declaration is obtained from the Directors confirming their compliance with the company share dealing policy and with the requirements of the Corporate Governance Code. The table below provides details of the dealing in NMDC securities by the board members and their relatives:

Board Member	Transactions By	Total Shares Sold	Total Shares Purchased
Mr. Ahmed Omar Salem Al Kourbi	Self	20,000	4,486
	Son	87,000	245,202

4.3. Dealings with Other Concerned Parties

The below table provides the detail of dealings by NMDC with its subsidiary company and with companies related to the members of the Board. All transactions with such related parties were carried out in the normal course of business and as per established policies and procedures.

Name of Company	Nature of Transactions	Transactions in 2012 (AED)
Emarat Europe - Fast Building Technology Systems Factory	Supplies	51,592,496
Al Khazana Insurance Company	Insurance Services	17,841,117
Al Jazira Sports and Cultural Club	Sponsorships	10,000,000
ESNAAD Company	Services	1,504,813
Agthia Group	Supplies	695,205
IRSHAD Company	Supplies	681,677
Al Jazira Sports and Cultural Club	Services	472,274
Electromechanical Company	Services	9,666

5. EXTERNAL AUDITORS

5.1. Appointment of External Auditors

The Company's External Auditor for the year 2012 is KPMG – a global network of professional firm providing Audit, Tax and Advisory services. KPMG has been auditors of NMDC since the financial year 2008.

The Audit Committee, after consideration and evaluation of the various proposals submitted by the professional audit firms had recommended appointment of Deloitte & Touche as the External Auditors for 2012. The recommendations were primarily based on the good practice of rotation of External Auditors. The Board (in its meeting dated 20.03.2012) duly considered the recommendations of the Audit Committee but proposed to re-appoint KPMG to avoid any potential conflict of interest with Deloitte & Touche (providing other advisory services to the Company). Additionally, the fees quoted by KPMG were evaluated to be the most cost efficient for the Company.

KPMG was appointed as the Company's auditor by a Shareholders' resolution at the Company's 2012 Annual General Meeting (held on 20-03-2012).

5.2. External Auditors Independence

The Company adopts a policy on External Auditors' independence by which the External Auditor may not, while assuming the auditing of the Company's financial statements, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that, in the discretion of ESCA, may not be rendered by the External Auditor.

The Company's policy includes measures to ensure the External Auditors' independence, including the following:

- The Board nominates the External Auditor, generally upon the recommendation of the Audit Committee;
- The appointment of the External Auditor is made by a resolution of the Company's Annual General Meeting, for a period of one year renewable; and
- The External Auditor should be independent from the Company and its Board and may not be a partner, agent or a relative, even of the fourth degree, of any founder or Director of the Company.

Management obtains comfort on the independence of the appointed external audit firm through direct inquiry of the firm on the independence of the external audit engagement team.

5.3. External Auditors Fees

The external audit fees of KPMG for the year 2012 amounted to AED 260,400 being for auditing services provided to NMDC and its subsidiaries.

During the financial year 2012, no other advisory services were rendered by the External Auditors KPMG.

5.4. Services received from other External Auditors

Services received from other external audit firms include:

Service Provider	Nature of Service	Value of Service
Ernst and Young	Internal Audit Services	AED 660,000
Ernst and Young	Advisory Services for Acquisition of Emarat Europe	USD 78,500
Deloitte & Touch	Quality Assurance and Project Management Support	Euro 280,754
Deloitte & Touch	Consultancy Services for workforce analysis	Euro 170,000
Deloitte & Touch	Consultancy Services for Internal Pricing Norms	Euro 134,344
Deloitte & Touch	NMDC Strategy & Integration Project	Euro 90,000

6. BOARD COMMITTEES

The following Board Committees have been established, and comprise of non-executive Board members:

Name of Board Committee	Members
Audit Committee (AC)	Mr. Darwish Abdulla Khadem Al Qubaisi (Chairman) Mr. Abdul Ghaffar Abdul Khaleq A Khouri (Member) Mr. Ahmed Omar Salem Al Kourbi (Member) Mr Mohamed Rashed Mubarak Al Kitbi (Member)
Nomination & Remuneration Committee (N&RC)	Mr Mohamed Rashed Mubarak Al Kitbi (Chairman) Mr. Abdul Ghaffar Abdul Khaleq A Khouri (Member) Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy (Member)
Technical Committee (TC)	Mr. Darwish Abdulla Khadem Al Qubaisi (Chairman) Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy (Member) Mr. Ahmed Saeed Al Mureikhi (Member)

The Company has adopted formal Terms of Reference (charters) for each of these three Board Committees, which deals with the composition, duties, and responsibilities of each Committee, amongst other things. These Terms of Reference comply with the requirements of the Corporate Governance Code.

The following governs the relationship between the Board and its Committees as per the Company's Corporate Governance Manual:

- **Reporting to the Board:** each Committee will report regularly to the Board about their activities and the exercise of their powers - this includes updating the Board at each Board meeting of all decisions and resolutions passed by the Committees since the last Board meeting;
- **Annual Evaluation:** each Committee will evaluate its workings under its relevant Terms of Reference on an annual basis, with a view to improving the workings of the relevant Committee or its relationship with the Board; and
- **Board Follow-up:** the Board will follow up the operations of the Committees to ensure that they are adhering to their Terms of Reference.

6.1. Audit Committee

The duties and responsibilities of the Audit Committee according to its approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code. In particular, the Audit Committee has the following key duties and responsibilities:

- Overseeing the integrity of and reviewing the Company's financial statements and annual and quarterly reports;
- Developing and applying the policy for contracting with external auditors, and following up and overseeing the qualifications, independence and performance of the external auditor;
- Overseeing the qualifications, independence and performance of the Company's internal audit staff, and approving the annual audit plan prepared by the internal auditors;
- Reviewing the external and internal auditor's management letters, reports and recommendations, and management responses, and overseeing the implementation of action steps recommended by the Audit Committee;

- Reviewing the Company's financial control, internal control and risk management systems;
- Overseeing the scope of the Company's compliance with its Code of Conduct and its various legal and regulatory obligations; and
- To review or investigate any allegations of fraud or theft which are brought to the Audit Committee's attention, which are made by or against employees or Directors and make appropriate recommendations to the Board.

The Audit Committee held eight (8) meetings during the year 2012 to discharge the duties as entrusted to the Audit Committee by the Board and the Corporate Governance Code. Following are the details of the Audit Committee meeting held during 2012:

Name	Meeting Dates							
	31.1.12	21.2.12	28.3.12	13.5.12	14.6.12	12.8.12	25.9.12	6.11.12
Mr. Darwish Abdulla Khadem Al Qubaisi	x	✓	✓	✓	✓	✓	✓	✓
Mr. Abdul Ghaffar Abdul Khaleq A Khouri	✓	✓	x	✓	✓	✓	✓	✓
Mr. Ahmed Omar Salem Al Kourbi	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mohamed Rashed Mubarak Al Kitbi	✓	✓	✓	✓	✓	x	✓	x

✓ refers to attendance

x refers to absence

6.2. Nomination & Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee according to its approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code. In particular, the Nomination and Remuneration Committee has the following key duties and responsibilities:

- Organizing and following up the Board nomination procedures in line with the requirements of applicable laws and regulations and of the ESCA Corporate Governance Code, in addition to determining the Company's needs for qualified staff at the level of senior management and the basis for their selection;
- Verifying the on-going independence of independent Board members;
- Reviewing and approving, in consultation with the Chairman of the Board and/or the Chief Executive Officer, the terms and conditions of the service contracts of Executive Directors and senior management employees;
- Reviewing at least annually the remuneration (comprising basic salary, other allowances, and any performance-related element of salary or bonus) of the Company's employees including the senior management team, and remuneration proposed to be paid to the Board directors; and
- Preparing a succession plan for the Board and its Committees, the Chief Executive Officer, and key members of Management.

The Nomination and Remuneration Committee held two (2) meetings during the year 2012 as detailed hereunder:

Name	Meeting No. 1	Meeting No. 2
	12-11-2012	04-12-2012
Mr Mohamed Rashed Mubarak Al Kitbi (Chairman)	✓	✓
Mr. Abdul Ghaffar Abdul Khaleq A Khouri	✓	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓

✓ refers to attendance

x refers to absence

6.3. Technical Committee

The Technical Committee acts on behalf of the Board usually when timing is critical, and is authorized by the Board to fulfill the objects set out in the Company's Memorandum and Articles of Association, including the authorization and negotiation of and entry into legally binding agreements on behalf of the Company, in connection with any of the following as per its approved Terms of Reference and the Board delegated authorities set therein:

- Entering into Share or asset purchase or disposal agreements;
- Entering into or terminating any joint venture arrangements or shareholder agreements with another company or legal entity;
- Entering into any limited or general partnership as a general partner;
- Obtaining commitments to fund;
- Entering into or terminating any financing under which the Company accepts a funding commitment in favour of a party outside the Company's group;
- Restructuring of the Company financing;
- Entering into leasing or licensing agreements; and
- Establishing of special purpose vehicles in appropriate jurisdictions through which the Company may conduct its business;

The Technical Committee meets as often as required. The Technical Committee did not meet during the year 2012.

7. INTERNAL CONTROL SYSTEM

7.1. System of Internal Control at NMDC

The Company's internal control/supervisory system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding the interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, uninformed risk-taking, or breach of legal or contractual obligations.

As per the approved Company Corporate Governance Manual, the Board is responsible for ensuring that the Company applies a precise internal control system that covers the following key functions being managed by respective heads as detailed hereunder:

Internal Control Function	Head of Department	Date of Appointment	Qualification	Experience
Internal Audit	Manish Bucha	27.05.12	Chartered Accountant, Member, Institute of Internal Auditors (CIA and CRMA), Bachelor of Commerce	Over 12 years of professional experience in the fields of Internal Audit, Risk Assessment and Business Process reviews.
Risk Management	Hassan Nagaty Khalifa	02.12.2012	Certified Master Assessor in EFQM Bachelor of Economics	Over 25 years of experience in Business Excellence, Performance Measurement and Total Quality Management.
Ethics and Compliance	Hafedh Saif	02.12.2012	Bachelor of Commerce	Over 20 years of experience in the Finance and Accounting function.

Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company in an effective and efficient manner.

The Board will conduct an annual review of the efficiency of the Company's internal control system and the scope of the Company's compliance with that system.

7.2. Independent Assessment of Internal Control System

During the year 2012, the Company was subject to the following independent assessments of its internal control system:

- Annual external audit and interim reviews of NMDC consolidated financial statements through KPMG professional services firm (latest available interim review is for the third Quarter 2012 ended 30 September 2012, and latest available external audit report is for the year ended 31 December 2012). The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal control.
- Internal Audit of NMDC business processes and functions through the Internal Audit Department, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2012 covered both core and support processes at NMDC.

The internal audit procedures are designed on the assumption that the responsibility for a sound system of internal controls rests with management and work performed by internal audit might not lead to identifying all strengths and weaknesses that may exist, but so that any material irregularity has a reasonable probability of discovery. The internal audit procedures focus on areas

as identified by Management as being of greatest risk and significance, and the internal audit plan therein is subject to the approval of the Audit Committee.

The internal audit department reports directly to the Audit Committee. The internal audit function considers and includes focus areas for audit in the annual audit plan. Any big issues or problems identified by Internal Audit or by the external audit is discussed with the management and with the audit committee. Action plan is obtained from the management to remediate the gaps and improve internal controls to avoid similar instances in the future, Internal audit regularly follows up on the implementation of the action plan and reports to the audit committee if not implemented by the due date.

In addition to above Quality and HSE departments also conduct regular audits and inform the Executive Management of any big issues.

7.3. Risk Management

The Company recently undertook an initiative of establishing an Enterprise Risk Management (ERM) Function and is currently in the process of developing and implementing an ERM framework including defining risk appetite, identifying key risks, risk mitigation plans, and risk management context.

7.4. Ethics and Compliance

The Company has recently designated an employee as the Ethics and Compliance Officer. The role of the Ethics and Compliance Officer is to verify compliance by the Company and its officers and employees with the applicable legal and regulatory requirements (including the resolutions issued by ESCA and ADX), the Company's internal policies and procedures, and commitments made to third parties (including the Company's lenders and counterparties).

The Compliance Officer reports to the Chief executive Officer (CEO), but also is entitled to report directly to the Audit Committee/Board on key matters of non-compliance.

8. COMPANY'S CONTRIBUTION

NMDC recognizes that organizations should not solely focus in making profits; instead there are broader social and environmental considerations that are equally important. In 2012, NMDC has taken numerous initiatives to incorporate social and environmental values into its business and the community it serves. NMDC encourages its managers and employees to be more socially and environmentally responsible.

8.1. Contribution in the Local Community Development

The various initiatives and activities by NMDC to contribute in the development of local community include:

- A partnership with The Abu Dhabi Centre for Technical and Vocational Education and Training (ACTVET); to provide training, guidance and assistance to hire Emiratis in rewarding positions within NMDC and contribute effectively to perform in the UAE workforce.
- Participation by NMDC in the recruitment exhibitions and Tawteen programs to promote Emiratization.
- Corniche beach development project for maintenance of the existing beach front by removal of unsuitable soil, protection from erosion (through an underwater rock works bond) and the import of beach sand.
- Coordination with Abu Dhabi Health Authority (SEHA) through organizing health awareness programs such as blood donations, cancer society and health campaigns
- Visiting and donations to rehabilitation centres catering to the needs of orphans, elderly and the disabled.
- NMDC Hajj program, through which a number of NMDC employees are sent on an all-expenses paid trip for the Hajj.
- Organizing social events during Ramadan Iftar, Eid Al Adha and National Day.
- Official sponsor of the National Day Golf Tournament.
- Organizing of various NMDC family sport activities

8.2. Contribution in Environment Protection

The various initiatives and activities carried out by NMDC to protect the environment include:

- Environmental awareness campaigns (internal as well as external) which include topics on waste management, water and electricity saving measures etc.
- Engagement in environmental projects such as the mangrove reservation project located at the Sea Palace area in Abu Dhabi.
- NMDC contributes and celebrates in environment days such as paperless day, earth hour etc. organized by the Environment Agency Abu Dhabi (EAD).
- Use of environmental friendly techniques of recycling and waste management in NMDC's business.
- Establishment of environmental and health certifications and Environmental Management System in NMDC including ISO 14001 certification.

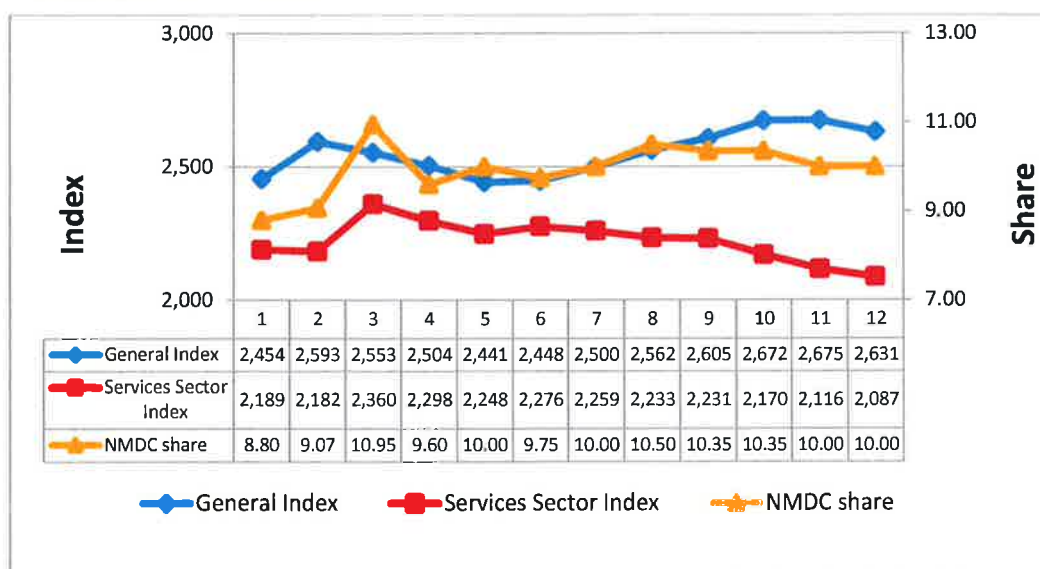
9. GENERAL INFORMATION

9.1 Monthly Price of the Company's share as compared to General and Sector Index

Statement of Company's share price in the market (closing price, highest price and lowest price), General Market Index and Sector Index at the end of each month during 2012:

Month	Highest price	Lowest price	Closing price	Services Sector Index	General Index
January	8.80	8.79	8.80	2,189.46	2,453.98
February	9.07	9.07	9.07	2,182.31	2,593.22
March	10.95	10.95	10.95	2,359.96	2,553.00
April	9.60	9.60	9.60	2,297.78	2,503.82
May	10.00	10.00	10.00	2,247.97	2,441.03
June	9.75	9.75	9.75	2,276.15	2,447.62
July	10.00	10.00	10.00	2,258.69	2,500.03
August	10.50	10.50	10.50	2,233.08	2,561.61
September	10.35	10.35	10.35	2,230.90	2,605.41
October	10.35	10.35	10.35	2,170.45	2,672.43
November	10.10	10.00	10.00	2,116.30	2,674.56
December	10.00	10.00	10.00	2,086.84	2,630.86

9.2 Chart of the comparative performance of the company share with General Index and Company's Sector Index



9.3 Breakdown of Ownership of NMDC Shares by Nationality and by Category as at 31 December 2012

	Individuals Shares	Companies Shares	Government Shares	Total Shares
Locals	85,009,726	58,761,145	79,999,999	223,770,870
GCC	-	29,164	-	29,164
Arabs (Other than GCC)	48,240	-	-	48,240
Foreigners	21,100	3,979,128	-	4,000,228
Total	85,079,066	62,769,437	79,999,999	227,848,502
Percentage	37.34%	27.55%	35.11%	100%

9.4 Statement of the Company's Shareholders who own 5% or more of the Company's Capital

Shareholder	Number of Shares	Percentage
Abu Dhabi Government – Finance Department	79,999,999	35.11%
Tasameem Real Estate LLC	27,848,502	12.22%
Al Khazna Insurance Company	17,787,316	7.8%

9.5 Statement of significant events encountered by the Company during 2012

There were no significant events encountered by the Company during 2012.

9.6 Detail of Violations during 2012

The Board met only five (5) times during the financial year 2012 and was short of one meeting as required by the ESCA's regulations. Also, the requirement to conduct a Board meeting every two month was not complied with during the financial year 2012.

The Company has strengthened its procedures in connection with this requirement, and will ensure that such a violation does not occur in future.

Except for above violation, there were no other violations committed during 2012.

Mohamed Thani Murshid Al Rumaythi
Chairman of the Company

