CORPORATE GOVERNANCE REPORT 2012

Dubai Financial Market (PJSC)

DFM
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Corporate Governance Report for 2012

1. Corporate Governance Practices

Pursuant to the responsibility of the Board of Directors towards shareholders and its duty to protect and promote the value of the shareholders' equity, the management of Dubai Financial Market (DFM) has endeavored to apply the rules and principles of corporate governance set forth in the Ministerial Resolution No. 518 of 2009 and the Administrative Circular issued by the Securities and Commodities Authority (SCA) dated 30/4/2012 concerning the effective and transparent application of governance principles. To this end, the DFM has ensured the following:

- The Board of Directors' formation was in conformity with the requirements of the law; and the Board has complied with the board functions set forth in the Ministerial Resolution and the Articles of Association of DFM.
- The Board of Directors has complied with the requirement to hold 6 meetings during the year in the approved dates; and has continued to perform its duties set forth in the Governance Guide and the Ministerial Resolution. No. 518 of 2009.
- The Board members have complied with the annual disclosure of their independence during 2012, and the disclosure of any change affecting their independence, including their membership on other boards.
- The Board members have complied with the requirement to disclose their trades and trades of their first-degree relatives in the shares of companies listed on the DFM.
- The Audit Committee held 6 meetings, and the Nomination and Remuneration Committee held 4 meetings. Both committees performed their duties, submitted written reports to the Board of Directors on their results and recommendations and followed up by implementation.
- The Board was provided with all the working papers presented to the Board committees, including the reports of the Internal and External Audit Departments.
- The shareholders' discussions and inquiries were recorded in the minutes of the General Assembly Meeting held on April 15th, 2012.
- DFM has complied with the disclosure of the quarterly and annual financial statements within the legal timeline.
- An investment committee, derived from the Board, was formed to oversee the Company's investment portfolio.
- An updated Charter and an audit manual were approved for the Internal Control Department in accordance with international best practices. The structure of the Internal Control Department was modified so as to enhance the independence of the Department and its employees.
- The authorised individuals of the Executive Management were updated.
- The obligation to develop the skills and expertise of the Board members was fulfilled through seminars and workshops organized by DFM, such as the workshop entitled "Achieving Good Investor Relations and Corporate Governance", held on May 8th, 2012.
- An updated administrative circular was issued to regulate the trading of DFM staff and their minor children in the Company's shares and the shares of DFM listed companies, which increases the regulatory controls over insider trading.

2. Trading in the Company's Shares by Board Members and their First-degree Relatives during 2012

The members of the Board of Directors comply with the provisions of Article 17 of the Cabinet Decision No (12) of 2000 concerning the regulations of listing of securities and commodities, and the applicable policy concerning their trading in the Company's shares as contained in the Company's Control Procedures and Corporate Governance Guide by obtaining the required approvals from the regulatory authorities. They also comply with the period of ban on dealings stipulated in Article 14 of Securities and Commodities Authority's (SCA's) regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities. The Board members also undertake annually to disclose their trading and the trading of their first-degree relatives.

According to the statements of the Board members in January 2013, trading transactions in the Company's shares by their first-degree relatives were as follows:

- Rashid Humaid Al Mazroei, sale transaction in the amount of AED 349,848.
- Mohammad Ali Al Qaizi, purchase transaction in the amount of AED 5 million.

In addition to the approved policy pertaining to the Board members' dealings, the Company adopts a policy for its employees' trading in the shares of DFM listed companies (including the Company's shares). Under the Administrative Decision No. 6 of 2012 issued by the Company's Management, all DFM employees are regarded as insiders in the listed companies. They are required to provide their own

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investor number and that of their minor children to the Human Resources Department. Any employee wishing to trade (in person or through a third party), must complete a special form prepared for this purpose and submit the completed form to the Market Control department for approval. The department shall, in turn, ensure that the request doesn't include any legal restraints, especially the period of ban on trading.

The period of ban on trading was specified under Article 14 of the SCA Regulations pertaining to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities as follows:

- Ten (10) working days prior to disclosing any important information which affects the share price, unless the information was a result of urgent and unexpected events.
- Fifteen (15) days prior to the end of the quarterly, half-yearly or annual financial period and until the financial statements are disclosed and the annual financial statements are approved by the Ordinary General Assembly.

Without prejudice to Articles 14 and 17 above, the Company employees are permitted to trade in the Company's shares for only 30 days after each period of ban. The brokerage firms were instructed to reject any transactions by the Company employees unless they had obtained the required approvals from the DFM Market Control department.

3. Formation of the Board of Directors

By virtue of Article 20 of the company's Articles of Association, DFM's Board of Directors consists of 7 members. The following shows the formation of the Board of Directors:

Name	Title	Independent / Non-Independent	Executive / Non-Executive	Date of first election	Membership period from date of first election until 31/12/2012
Abdul Jalil Yousuf Darwish	Chairman	Independent	Non-Executive	21/04/2010	Two years and eight months
Rashid Hamad Al Shamsi	Vice Chairman	Independent	Non-Executive	16/01/2007	Six years
Essa Abdulfattah Kazim	Managing Director and CEO	Non-Independent	Executive	16/01/2007	Six years
Mussabeh Mohammed Al Qaizi	Member	Independent	Non-Executive	21/04/2010	Two years and eight months
Ali Rashid Al Mazroei	Member	Independent	Non-Executive	21/04/2010	Two years and eight months
Adil Abdullah Al Fahim	Member	Independent	Non-Executive	21/04/2010	Two years and eight months
Mohammed Humaid Al Mari	Member	Independent	Non-Executive	21/04/2010	Two years and eight months

All the Board members are UAE citizens with the required expertise and skills:

Abdul Jalil Yousuf Darwish

A professional banker and a business entrepreneur. Currently occupies the following positions:

- Chairman of the UAE Enterprises Group.
- Chairman of the Board of Directors of Dubai Financial Market (DFM) Company.
- Member of the Board of Directors of the General Pension & Social Security Authority.
- Member of the Board of Directors and Treasurer of the Dubai Chamber of Commerce and Industry.
- Member of the Dubai Economic Council.
- Member of the Board of Directors of the National Bank of Umm Al Qaiwain, since its establishment in 1982.
- Member of the Board of Trustees, American University of Sharjah.
- Deputy Chairman of the Human Resources Development Committee in the Banking and Financial Sector.
- Member of the Board of Trustees of Dubai University.

Previous positions held by Mr. Abdul Jalil Yousuf Darwish:

- Chief Executive Officer of HSBC Bank Middle East Ltd, United Arab Emirates.
- Executive Director and Vice Chairman of HSBC Bank Middle East Ltd.
- Chairman of HSBC Middle East Finance Company Ltd.
- Member of the Board of Directors of HSBC Financial Services (Middle East) Ltd.
- Deputy Chairman of the Emirates Institute for Banking and Financial Studies.

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Rashid Hamad Al Shamsi

Mr. Rashid Hamad Al Shamsi is Vice Chairman of Dubai Financial Market since the year 2007. Mr. Al Shamsi is the founding partner of MEECON, an architectural and engineering project management consultancy, and owner of Al Shamsi Property Management Company in Dubai. He graduated from the University of South Carolina, USA, with a Bachelor's degree in Civil Engineering in 1982 and occupies / has occupied the following positions:

- Member of the Board of Directors of the Emirates General Transport Corporation.
- Member of the Board of Directors of Gulf Navigation (PJSC).
- Member of the Board of Directors of NASDAQ Dubai.
- Mr. Al Shamsi was actively engaged in the marketing and distribution of energy-related products for over 22 years.
- General Manager of Emirates General Petroleum Corporation (Emarat) from 2002 to 2008, chairing several Emarat joint ventures and subsidiary companies.
- Former member of the Board of Directors of Dubai Chamber of Commerce and Industry from 1991 to 1997.
- Former member of the Board of Directors of Dubai Mercantile Exchange.
- Former CEO of Sama Dubai, the international real estate development arm of Dubai Holding.

Essa Abdulfattah Kazim

Mr. Essa Kazim is the Chairman of Borse Dubai and Managing Director & CEO of Dubai Financial Market (DFM).

Mr. Kazim began his career as a Senior Analyst at the Research and Statistics Department of the UAE Central Bank in 1988 and then moved to the Dubai Department of Economic Development as Director of Planning and Development in 1993. He was then appointed as Director General of the DFM from 1999 through to 2006. Mr. Kazim holds an honorary Doctorate from Coe College, a Master's degree in Economics from the University of Iowa, a Master's Degree in Total Quality Management from the University of Wollongong and a Bachelor's degree in Mathematics, Economics and Computer Science from Coe College.

He occupies other positions which include:

- Board of Directors of Etisalat.
- Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC) and the Board of Directors of DIFC Authority.
- Member of Dubai Council for Economic Affairs.
- Board of Directors of NASDAQ Dubai.
- Board of Directors of Noor Islamic Bank.
- Member of the Board of Rochester Institute of Technology.
- Member of the Board of NASDAQ OMX.
- Member of the Board of Governors of Hamdan Bin Mohammed E-University.
- Member of UAE – UK Business Council.
- Secretary General of the Higher Committee of Islamic Economy Initiative.

Mohammed Humaid Al Mari

Mr. Al Mari is a Financial and Administrative expert with more than 20 years of experience in both public and private sectors. He graduated from Mohammed Bin Rashid's Program for Leadership Development, Government Leaders Category. He also holds an MBA from the American University in Dubai since 2004 and a Bachelor's degree in Accounting from the United Arab Emirates University in Al Ain since 1990. Mr. Al Mari started his professional career as an employee at the Land Department in 1986 and holds / has held the following positions since then:

- Assistant CEO for Finance and Support Services at the Mohammed Bin Rashid Housing Establishment since August 2009.
- Founding Partner in Faris & Co. Public Accountants since 1995.
- Member of Takaful Al Emarat PJSC Board of Directors since April 2012.
- CFO at the Roads and Transport Authority from June 2006 to August 2009.
- Assistant General Manager of the Dubai Transport Authority from March 2005 to June 2006.
- Member of the Board of Directors of the Dubai Development Board from December 2005 to April 2008.
- CFO and CAO of the Land Department from November 2000 to March 2005.

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Mr. Al Mari has the following professional memberships:

- Certified Public Accountant since 1990.
- Member of the UAE Accountants and Auditors Association since 1997.
- Member of the Culture and Science Symposium in Dubai since its inception.
- Honored with the Sheikh Rashid Award for Educational Excellence for completing an MBA degree at the American University in Dubai.
- Holds an Institutional Leadership Certificate from the Leadership and Learning Center in Florida, USA.
- NLP practitioner certified by Richard Bandler through the McClendon & Associates Institute.
- Holds a Self-Hypnosis Practitioner Diploma from Proudfoot School of Clinical Hypnosis and Psychotherapy.

Adil Abdullah Al Fahim

Mr. Adil Abdalla Al Fahim has extensive hands on experience of over thirteen years within the Financial, administrative, audit/control, information systems and commercial law fields. He graduated with a Bachelor's degree in Accounting from "Ain Shams University" in Cairo in 1999.

Adil Al Fahim was recognised as the winner of the "Financial Thought Leader", at the Corporate Leaders Awards on 14th March 2012, by the business information group Naseba.

He holds/has held the following positions:

- Member of the Dubai Government Financial Planning Committee.
- CFO at the Dubai Airports Company where he joined in 2006 till date.
- Member of the Planning & Budget Development and Automation Committee.
- Director of Internal Audit at the Department of Finance, Dubai at H.H Ruler of Dubai Court.
- Deputy Director of Performance Control, Information Systems Audit and Training Department at H.H Ruler of Dubai Court.
- General Director of the UAE Accountants and Auditors Association (2000-2002).
- Member of the Board of Directors and President of the Conferences Committee in the UAE Accountants and Auditors Associations (2002-2004).
- President of the American Institute of Internal Auditors (IIA) - Emirates Branch (2006-2007).
- Senior Vice President, internationally Certified Anti–Fraud Association in the USA – Emirates branch.
- Member and Secretary of the UAE Auditors' Registration Committee.
- UAE Representative of the AGCC E-Commerce Committee.
- Law and Regulations (Financial Expert in Dubai Courts).

He also has the following professional memberships:

- Certified Public Accountant (CPA).
- Certified Fraud Examiner (CFE).
- Certified Financial Consultant (CFC) – Canada.
- Certified Audit Command Language (ACL) Trainer – Belgium.
- Founding member of the UAE Accountants and Auditors Association.
- Member of the Judges Assistant Category in the Experts list of technical consultants adopted by Dubai Courts.
- Information Systems Audit and Control Association (USA).
- Institute of Internal Audit (USA).
- American Society for Quality (USA).
- Association of Financial Professionals in Hospitality and Technology Affairs for the Hotel Sector.
- The Canadian Association of Financial Consultants.

Ali Rashid Al Mazroei

Mr. Ali Al Mazroei has more than 12 years of hands-on financial and administrative experience in the banking and commercial sector. He graduated from Southern New Hampshire University, USA, with a Master's degree in 2002, and from the American University in Dubai with a BA in 1999. Mr. Mazroei holds/has held the following positions:

- Director & Group CFO of Bahri & Mazroei Trading Company since April 2007. The company was established in 1968 in Dubai. The Group manages general investments in the sectors of Commerce, Real Estate, Manufacturing, Tourism & Travel etc.

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- Member of the Board of Directors of the National Bonds Corporation (P.S.C.) and Chairman of the Investment Committee since May 2011.
- From 2000 to 2007, Mr. Al Mazroei held various functional and administrative positions at CitiBank Group in Dubai, as a Resident Vice President in the Financial Control Unit in Citibank, he headed the Planning & Analysis Dept for Middle East, Turkey, & Africa as well as Director of the SME Department.

Mussabeh Mohammed Al Qaizi

Mr. Mussabeh Al Qaizi has over 18 years of hands-on experience, the majority of which were in the field of information technology where he supervised and directly managed several multi-tasked teams and individuals. He graduated with a Bachelor's degree in Computer Information Systems from Arkansas University, USA, in 1991.

Mr. Al Qaizi holds/has held the following positions:

- Head of E-Banking Services at Dubai Islamic Bank as well as other leadership positions such as member of the Board of Directors of the Islamic Financial Services (a subsidiary of Dubai Islamic Bank) and Head of the Automatization Committee at the Dubai Islamic Bank, which plays a vital role in coordinating and aligning the bank's comprehensive strategy with the latest IT developments.
- Managed the Dubai Ports Authority IT Department as Support Supervisor and subsequently as Head of the IT Department. Throughout his seven years of working at Dubai Ports World, he gained extensive hands-on experience and knowledge from dealing with the various functional departments thereof.
- Mr. Al Qaizi joined Dubai Islamic Bank in 1999 as Head of the Cards Unit which he developed in two years.
- Head of Information Systems Department at the Dubai Islamic Bank between 2001 and 2008. During this period, he was able to build and support the information systems infrastructure and hence gain wide-ranging hands-on experience in project management at various banking levels.
- Since 2008, based within the E-Banking Operations Unit, Mr. Al Qaizi has been developing various channels to connect customers to the bank. In recognition of the great development which he achieved in this field, his project was named Project of the Year for 2009, as well as Best Unique E-Banking System Project at Dubai Islamic Bank.

Remuneration of the Board members and allowances for attending the meetings of the Board and the Board Committees

By virtue of the provisions of Articles 33 and 67 of the Company's Articles of Association, and in compliance with Article 118 of the Commercial Companies Law No. 8 of 1984 and its amendments, and Article 7 of the Ministerial Resolution No. 518, the Board of Directors' remuneration is equal to 10% of the net profit of the DFM Company after the deduction of costs, expenses, and statutory legal reserve as well as distribution of dividends equal to 5% of the Company›s capital, subject to the approval of the Ordinary General Assembly. In its meeting on 8/1/2011, the Board of Directors set a remuneration of AED 300,000 per member after obtaining the shareholders' approval during the General Assembly.

During its meeting held on the 26th of February 2012, the Nomination & Remuneration Committee recommended the Board and Committee meetings attendance allowance. The Board approved the meeting allowance for individual Board members attending in-person each Board meeting in the amount of AED 15,000, a Committee meeting allowance of AED 6,000 for each Committee member attending in-person, and AED 2,000 for meetings via conference call or video conference.

- **There will be no proposed remuneration for the Board of Directors for the year 2012.**

A total amount of AED 708,000 was disbursed for attendance allowances, distributed as follows:

- Allowances for attending Board meetings: AED 540,000.
- Allowances for attending Audit Committee meetings: AED 102,000.
- Allowances for attending Nomination and Remuneration Committee meetings: AED 66,000.

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Meetings of the Board of Directors during the Fiscal Year

The Board of Directors held 6 meetings during 2012 as follows:

Date of the Meeting	Personal Attendances						
	Abdul Jalil Yousuf Darwish	Rashid Hamad Al Shamsi	Essa Abdulfattah Kazim	Mussabeh Mohammed Al Qaizi	Mohammed Humaid Al Mari	Adil Abdullah Al Fahim	Ali Rashid Al Mazroei
26/02/2012	✓	✓	✓	✗	✓	✓	✓
07/05/2012	✓	✓	✓	✓	✓	✓	✓
20/06/2012	✓	✓	✓	✗	✓	✓	✗
04/08/2012	✓	✓	✓	✗	✓	✓	✓
03/11/2012	✓	✓	✓	✗	✓	✓	✓
19/12/2012	✓	✓	✓	✓	✗	✓	✓

Duties and Functions Assigned by the Board of Directors to the Executive Management

In compliance with the Board of Directors' meetings held in 2011 and 2012, the Executive Management was assigned the following duties and powers:

- The CEO was authorized to represent the Company before courts. His signature was authenticated by the notary public to sign agreements on behalf of the Chairman of the Board of Directors to facilitate the Company's business.
- Prepare feasibility studies in relation to the Company's projects.
- Develop internal policies and bylaws to regulate the work, including employees rewards policy, investment policy and the policy on exemption from fees.
- Approve work procedures, administrative circulars and decisions governing the work environment.
- Form, change and dissolve executive committees.
- Approve the direct order purchasing authority up to AED 250,000 for the Head of Corporate Services and up to AED 500,000 for the CEO.
- Approve the authority of the CEO to contract through tendering up to AED 1 million.
- Approve the authority of the CEO to contract through limited or public bidding up to AED 5 million.
- It is the authority of the Head of Corporate Services to sign approved contracts up to AED 5 million in value and the authority of the CEO to sign approved contracts up to AED 50 million.
- The CEO and the head of the concerned sector have the authority to sign memorandums of understanding, limited representation agreements and sub-deposit agreements.
- The CEO has the authority to rent the market spaces and determine the rent value.
- The CEO approves the results of the annual inventory.
- The decision to dispose of book fully-depreciated (retired) assets is taken by the CEO.
- It is the authority of the CEO to determine the service fees and penalties, and to update the list of fees according to the market data.
- The head of the concerned sector has the authority to impose penalties / fines.
- The Head of Corporate Services in conjunction with the head of the concerned sector have the authority to cancel the first violation, and the authority of the CEO to cancel the second violation.
- The CEO is authorized to exempt investors, upon a request to be submitted by them, from the fees of services provided to them based on fixed percentage and depending on the transaction value.
- The CEO has the authority to invest in short-term deposits of unlimited amounts pursuant to recommendations from the Investment Committee, including breaking the deposit before its maturity.
- In the event of incomplete quorum of a Board meeting, the CEO is authorized to sign the audited interim financial statements after their approval by the Audit Committee.
- The authority to sign cheques and bank transfers up to AED 50 million is within the responsibility of the Executive Management.
- Member of the Board of Directors of the Emirates General Transport Corporation.

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The Senior Executive Management of the Company consists of six (6) senior management staff. The following table shows the names, positions, dates of appointment, gross salaries and allowances of the senior management staff in the Company:

Name	Position	Date of Appointment	*Gross salaries and allowances paid in 2012 (AED)	Retirement & Social Security Contributions (AED)	Total Bonuses paid in 2012 (AED)
Essa Abdulfattah Kazim	Managing Director and CEO	01/05/1999	1,407,542	168,115	-
Maryam Mohammed Fikri	Executive Vice President - COO Head of Clearing, Settlement and Depository Division	01/06/1999	839,979	91,992	-
Hassan Abdul Rahman Al Serkal	Executive Vice President - COO - Head of Operations Division	01/06/1999	903,213	91,381	-
Ahmad Mohammed Al Jaziri	Senior Vice President - Head of Corporate Services Division	01/06/1999	714,905	84,541	-
Jamal Ibrahim Al Khadhar	Senior Vice President - Head of Human Resources and Strategic Planning Division	01/06/1999	695,499	83,977	-
Fahima Abdul Razzaq Al Bastaki	Senior Vice President - Head of Business Development Division	22/05/2004	766,105	84,541	-

* Including allowances for furniture, car, education, tickets and general pension and social security.

Related Party Transactions

Related parties comprise companies under common ownership or management, key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the year, the Group entered into transactions with related parties in the ordinary course of business. These transactions were carried out at mutually agreed terms and conditions. The transactions with related parties and balances arising from these transactions are as follows:

Transactions during the year	2012
	AED '000
Ownership transfer and mortgage fees	-
Income on investment deposits	5,517
Interest expense	931

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The remuneration of directors and other members of key management during the period were as follows:

	2012
	AED '000
Compensation of key management personnel	
Short-term benefits	6,647
General pension and social security	657
Board of Directors	
- Remuneration to the NASDAQ Board	1,006
- Meeting allowance for the Group	1,988
Balances	
	2012
	AED '000
Due from related parties	
Parent	
Investment deposits (Note 7)	140,477
Due from related party	-
Accrued income on investment deposits	2,862
Other related parties	
Due from a financial institution	257,260
Managed funds (Note 6)	177,601
Due to related parties	
Parent	
Due to a related party	1,831
Subordinated loan	21,297
Ultimate controlling party	
Dubai Government	48,500

In the initial public offering in 2006, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government, of which AED 48.5 million remains due to the Dubai Government. The balance does not bear any profit.

The subordinated loan has been provided by the parent, Borse Dubai Ltd., to NASDAQ Dubai Limited (Note 1). The subordinated loan is unsecured and bears interest at 12 month LIBOR plus 3.25% per annum and is subordinated to the rights of all other creditors of the subsidiary.

Due from a financial institution represents a wakala deposit with government related entity which is currently in the process of being restructured.

4. The External Auditor

PricewaterhouseCoopers is one of the major firms operating in the field of professional services. It consists of a network of companies operating in 158 countries, and employing more than 180,000 employees dedicated to providing audit, taxation and consulting services. The company became established in the Middle East more than forty years ago. It has offices in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, United Arab Emirates and Yemen, with more than 2,500 employees. The company has been operating in the United Arab Emirates for more than 30 years through its offices in Abu Dhabi, Dubai and Sharjah, which collectively have more than 700 partners, executive directors and employees.

In May 2009, PricewaterhouseCoopers - Middle East concluded a strategic alliance agreement with the company's office in the United Kingdom. This alliance provides PricewaterhouseCoopers - Middle East with the capability, advantage and in-depth expertise available within the company's office in the United Kingdom.

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Fees and costs of the audits and other services provided by the external auditor

Based on the recommendations of the Audit Committee during its meeting held on 23/2/2012, the Board's approval of the Audit Committee's recommendations during its meeting held on 26/2/2012, and the shareholders' approval during the Ordinary General Assembly held on 15/4/2012, PricewaterhouseCoopers was appointed as the new auditor for the year 2012 at a cost of AED 183,500. It was appointed pursuant to the principle of auditor rotation and after the previous auditors had served for a period of 6 years. The proposals submitted by other audit firms were reviewed to ensure the company's independence.

Moreover, PricewaterhouseCoopers was appointed as an external auditor for Borse Dubai (DFM's parent company) at a cost of AED 120,000 and for NASDAQ Dubai at a cost of AED 130,000 for the year 2012. No other external auditors were appointed for any services during 2012.

5. The Audit Committee

The Audit Committee was formed in accordance with the Board of Directors' decision during its meetings held on the 1st of May 2010 and 26th of May 2010. The Audit Committee consists of the following members:

- Mohammad Humaid Al Mari - Chairman
- Ali Rashid Al Mazroei - Member
- Adil Abdullah Al Fahim - Member

All the committee members are non-executive and independent as well as accounting and financial experts. In compliance with the Ministerial Resolution No. 518 of 2009 and pursuant to its mandated duties, the Audit Committee was assigned the following duties:

1. Implementing the policy related to contracting with an external auditor, monitoring the external auditing and discussing the nature and scope of the auditing process on the 4th of April 2012. Reviewing the mission and action plan of the external auditor and ensuring that the Finance Department and executive departments respond to the external auditor on the 23rd of July 2012.
2. Monitoring the soundness of the company financial statements and reports (annual, semi-annual and quarterly) and reviewing them as part of its regular work during the year, with particular focus on the following:
   - Any modifications in the accounting policies and practices.
   - Highlighting the aspects subject to the Board practices.
   - Significant modifications resulting from the audit.
   - The assumption of going concern.
   - Complying with the accounting standards decided by the Authority.
   - Complying with the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.
3. Meeting with the external auditor on the 12th of February 2012 to discuss the annual financial statements as well as the report submitted to the Senior Management.
4. Reviewing the company's financial control, internal control and risk management systems as well as the efficiency of the Internal Control Department, appointing the needed resources and approving the internal audit plan prepared on the basis of risk approach related to each sector/ department of DFM and NASDAQ Dubai on the 12th of February 2012 and followed up on the plan progress on a quarterly basis.
5. Approved the work guide for the Internal Control Department (ICD) on 23/2/2012 and the charter of ICD on 23/7/2012, and amended the structure of ICD on 23/7/2012.
6. Reviewing and developing the Company's financial and accounting policies and procedures, approved the credit policy and wrote-off debts on 26/2/2012.
7. Coordinating with the Company's Board of Directors and Executive Management, and discuss the reports of the Internal Control and Financial Control Department as well as the SCA letter on its audit to ensure that the listed companies comply with the governance controls and requirements on 23/2/2012, and followed up on the corrective actions on a quarterly basis.
8. Setting guidelines which enable the company's employees to confidentially report any possible violations in the financial reports, internal control or other issues, as well as the steps which allow the independent and fair investigation of such violations. The staff appointed for this purpose can be reached by email: whistleblower@dfm.ae, telephone: +971 4 305 5665 or fax: +971 4 305 5584.
9. Monitoring the Company's compliance with the standards of professional behaviour.

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The Audit Committee held six meetings in 2012. The following table highlights the date of each meeting and the personal attendance:

Date of the Meeting	Personal Attendance		
	Mohammad Humaid Al Mari	Adil Abdullah Al Fahim	Ali Rashid Al Mazroei
12/02/2012	✓	✓	✓
23/02/2012	✓	✓	✓
03/04/2012	✓	✗	✓
01/05/2012	✓	✓	✓
23/07/2012	✓	✓	✓
17/10/2012	✓	✓	✓

6. The Nomination and Remuneration Committee:

The Nomination and Remuneration Committee was formed by virtue of the Board's decision taken during its meetings held on 1st of May 2010 and 26th of May 2010. It consists of the following non-executive and independent members:

- Rashid Hamad Al Shamsi – Chairman
- Mussabeh Mohammed Al Qaizi – Member
- Ali Rashid Al Mazroei - Member

By virtue of Ministerial Resolution No. 518 and as per its duties, the Committee performed the following tasks:

- Verified the independence of the DFM Board's members for the year 2012 on 6th of February 2012 through a form which was completed and signed by each independent member.
- Endorsed Human Resources policies with respect to promotions, employee benefits, and the senior executives' evaluation methodology.
- Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the Company's performance; and assigned an independent company on 8th of November 2012 to study the salaries and benefits and evaluate the jobs.
- Assessed the annual salary increase and promoted the entitled employees on 30/04/2012
- Determined the Company's needs for competencies at the Senior Executive Management level and employee level, and determined the basis for choosing them, as well as the employee training policy on the 27th of May 2012.

The Nomination and Remuneration Committee held 4 meetings during 2012. The following table shows the dates of these meetings and the personal attendance:

Meeting Date	Personal Attendance		
	Rashid Hamad Al Shamsi	Mussabeh Mohammed Al Qaizi	Ali Rashid Al Mazroei
06/2/2012	✓	✓	✓
30/4/2012	✓	✓	✓
27/5/2012	✓	✓	✗
08/10/2012	✓	✓	✓

7. The Internal Control System:

a. The Board of Directors' acknowledgment of its responsibility for the Internal Control System

The Board of Directors acknowledges its responsibility for the internal control system in the Company and for reviewing it and ensuring its effectiveness through the Internal Control Department (ICD). The ICD, in its turn, submits regular reports in accordance with the standard No. 2060 of the international standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) in the USA to the Board of Directors and Executive Management on the objectives, authorities and responsibilities of the internal audit activity, as well as the achievements against the approved plan. The ICD also evaluates how adequate and effective the internal control systems are. The level of overall risks during the year 2012 was low due to the adequate and effective internal control systems.

b. Work Mechanism of the Internal Control Department:

The Internal Control Department reports to the Senior Management of the Company, and to the Board of Directors through the Audit Committee in such a manner to ensure its independence. In performing its duties, the ICD applies the latest international standards

Corporate Governance Report for 2012

issued by the IIA of USA as well as the international best practices in the following areas:

- Preparing the department's Balanced Scorecard in relation to the Company's strategic plan.
- Performing the required updates for the procedures manual and charter to be consistent with the latest international standards as approved by the Audit Committee.
- Developing an audit plan based on the risks related to every sector / department / section in order to prioritize the sections with high risks. The plan is discussed with the CEO and approved by the Audit Committee and Board of Directors.
- At the end of each audit, preparing an audit report for every audited department whereby the objectives, scope, methodology and findings of the audit are presented. The reports also evaluate the notes in terms of the risk levels, in addition to an extensive assessment of the audited sector or department according to the assessment matrix. The Audit Committees of both DFM and NASDAQ Dubai are provided with a copy of the reports and the findings after their discussion with the concerned departments in order to help these Committees evaluate the internal control within their respective area of responsibility.
- At the end of the year, performing a risk assessment for risk levels according to the control survey approved by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The survey consists of five key elements: Control Environment, Risk Assessment, Information & Communication Assessment, Control Activities Assessment and Monitoring Assessment.
- The ICD prepared quality reports on assurances during the year to ensure the efficiency of the completed audit assignments and the availability of permanent and temporary files for each assignment in line with international best practices.
- 85% of the endorsed audit plan was implemented including financial audits, Shari'a audits, compliance with the rules, regulations and policies, and work procedures, as well as information security and risks.
- The ICD submitted 45 recommendations that have been agreed upon with the different audited sectors during 2012, whether to DFM or NASDAQ Dubai, which enhanced the level of the internal control environment and minimized the risks in line with the definition of internal audit in terms of adding value to the institution and its shareholders by improving the effectiveness and efficiency of corporate governance, risk management and control in the institution.
- The ICD followed up on the implementation of corrective actions according to the reports issued by the internal and external auditors.
- Submitting to DFM and NASDAQ Dubai Audit Committees all the internal control and follow-up reports as well as the executive measures taken by the concerned department to enhance its internal control during 2012. This enables the Audit Committees to assess the internal control of their respective companies and raise the necessary recommendations to the Board of Directors.
- Coordinating with the external auditor and the Financial Audit Department as well as the quality auditors.
- Offering consulting services with the aim of developing and improving work procedures in a manner which does not compromise the independence of the auditors, and in accordance with the stipulations of the work charter of the ICD.
- Monitoring the communication channels used for confidential reporting.
- Preparing the Corporate Governance Report for the year 2012 in light of the provisions of the Ministerial Resolution No. 518 circulated by the SCA.

The Internal Control Department comprises four qualified employees as follows:

Name: Asma Saeed Lootah
Job Title: Vice President - Secretary of the Board of Directors and Head of the Internal Control Department
Qualifications:

- Master of Finance from E. Philip Saunders College of Business, Rochester Institute of Technology - May 2011.
- Certified Management Accountant (CMA) - February 2001.
- Certified Lead Quality Auditor in ISO 9001:2000 from IRCA - May 2004.
- Bachelor degree from the Higher Colleges of Technology - Dubai Women's College - 2001.
- Higher Diploma in Accounting from the Higher Colleges of Technology - Dubai Women's College - 2000.
- Member of the IMA and AAA.
- Member of the ICSA Gulf Forum.

The Internal Control Department is supported by a qualified team consisting of the following staff members:

- **Reda Farouq Shehata:** Assistant Manager - Internal and Shari'a auditor, holder of CRMA 2012, Higher Diploma in Financial Accounting from Ain Shams University - 2003, and a Bachelor's degree in Accounting from Ain Shams University - 1998.

- **Mohammad Ahmed Assaleh**: Assistant Manager, Internal Control, holds an ACCA certificate - 2009, CRMA - 2012 and a Bachelor's degree in Accounting from Yarmouk University - 2003.

- **Nash'at Hasiba:** Compliance Officer holding a Bachelor's degree in Accounting from Damascus University - 1976.

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Handling any major problems in the Company or those disclosed in the annual reports and accounts

The Company was not subject to any significant risks during 2012; however, and pursuant to the ICD work guide, the Department deals with the problems facing the Company through the following:

- Determine the nature of the problem and classify it in terms of level of risks through determining the size of the problem and its negative consequences that may affect the Company.
- Communicate with the executive departments through the heads of various sectors and the CEO to discuss the remedy and solution for the problem and make the necessary recommendations.
- Report the matter along with the related recommendations to the Audit Committee, which in turn, after the discussion and assessment of the situation, will forward the matter to the Board of Directors to inform it about the problem and take the appropriate decision thereon.
- The Department follows up the implementation of the approved solution of the problem by ensuring the implementation of the Board of Directors' decisions.
- Communicate with the external auditor of the company, when and if required.

8. Since its inception and through 2012, the Company has not committed any violations.

9. DFM's Corporate Social Responsibility in 2012

The Company recorded the following achievements:

- Opening of the Educational Trading Room with a real time stock price display, a real time price ticker and a large poster replicating DFM's official trading room, to reflect and offer a type of interactive learning as follows:
  - One room in the American University in the UAE in April 2012.
  - Two rooms (for male and female students) in Sharjah University in July 2012.
- Organization of DFM's 10th Annual Stock Game with the participation of 1,847 students and 29 educational institutions between 16th and 30th of April 2012.
- Organization of DFM's Summer Stock Game with the participation of 16 trainees between 22nd and 30th of July 2012.
- Launching a blood donation campaign in cooperation with the Health Authority of Dubai in April 2012.
- Being the official sponsor of the sixteenth session of the Dubai International Holy Qur'an Award Ceremony for one day, held in the theatre of Dubai Chamber of Commerce and Industry on 27th July 2012.
- Launching the Employee Health Day in February and December 2012, whereby a medical checkup is made for all DFM employees and employees of brokerage firms.
- Launching the Earth Hour Campaign, a global event during which all unnecessary lights and electronic equipment are turned off for a period of one hour on the last Saturday of March.
- Organizing a religious awareness seminar for DFM employees; and inviting Sheikh Ahmed Al-Haddad to give a religious lecture during the Holy Month of Ramadan, in August 2012.
- Participating in the organization of the UAE's National Day through the Business Development Division's team in December 2012.
- Organizing a day to launch the second annual national survey of 2012 in collaboration with the Research Center in December 2012.
- Organizing free lectures: continuous preparation and organization of free technical and financial workshops and lectures for college and university students. A total of 50 lectures were organized in 2012 with the participation of 1,401 students from 50 colleges and universities.

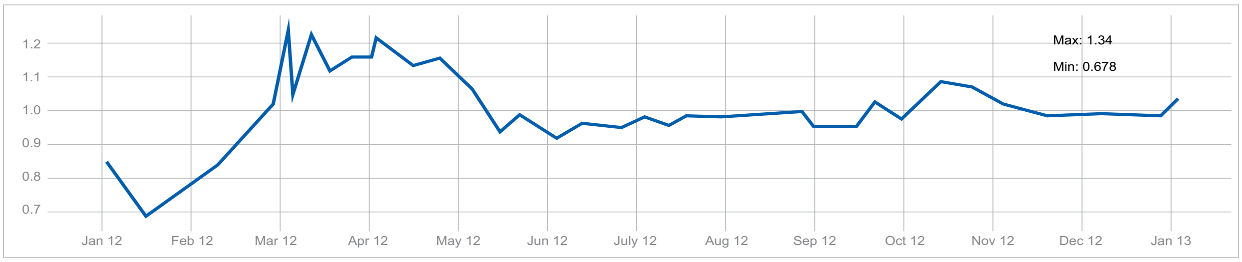
Corporate Governance Report for 2012

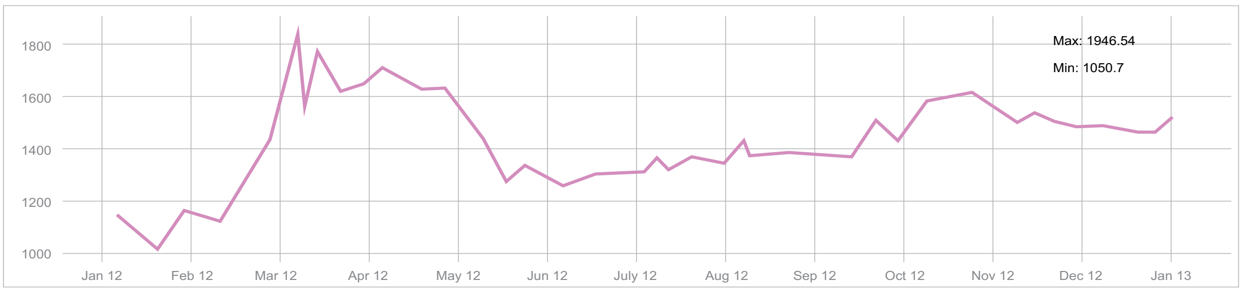
10. General Information

The Company's (highest and lowest) share price at the end of each month of the fiscal year 2012.

Month	Highest price during the month (AED)	Lowest price during the month (AED)	Closing price at the end of the month	Market Index (Index Figure)	Sector Index (Index Figure)
January	0.849	0.678	0.81	1435.72	1186.74
February	1.1	0.791	1.07	1730.43	1577.6
March	1.34	1.02	1.15	1648.87	1659.49
April	1.25	1.12	1.13	1630.95	1607.92
May	1.13	0.93	0.945	1471.49	1316.79
June	0.984	0.901	0.938	1451.87	1330.57
July	1.02	0.938	0.977	1542.64	1378.39
August	1.01	0.945	0.946	1547.82	1381.2
September	1.05	0.94	0.975	1578.79	1469.43
October	1.11	0.976	1.01	1619.61	1574.48
November	1.04	0.965	0.993	1607.9	1526.49
December	1.05	0.98	1.02	1622.53	1535.37

Performance of the Company's share price, the market General Index and the Index of the Sector of which DFM is part.





Corporate Governance Report for 2012

Distribution of shareholders' ownership according to the trading activities on 31/12/2012 and settlement thereof on 3/1/2013.

No	Description	Nationality	Shares	Ownership %
1	Company	Arabic	9,685,245	0.12
2	Company	Gulf	20,370,147	0.25
3	Company	Foreign	218,744,170	2.73
4	Company	Local	6,821,018,482	85.26
5	Government	Local	3,269,363	0.04
6	Individual	Arabic	149,174,119	1.86
7	Individual	Gulf	18,120,795	0.23
8	Individual	Foreign	135,721,741	1.70
9	Individual	Local	623,895,938	7.80

Borse Dubai owns 6,370,000,000 DFM shares, accounting for 79.625% of the Company's shares.
No events that can be described as material occurred in the Company during 2012.

Abdul Jalil Yousuf Darwish
Chairman
Dubai Financial Market (PJSC)
Date: 18/2/2013

سوق دبي المالي
DUBAI FINANCIAL MARKET