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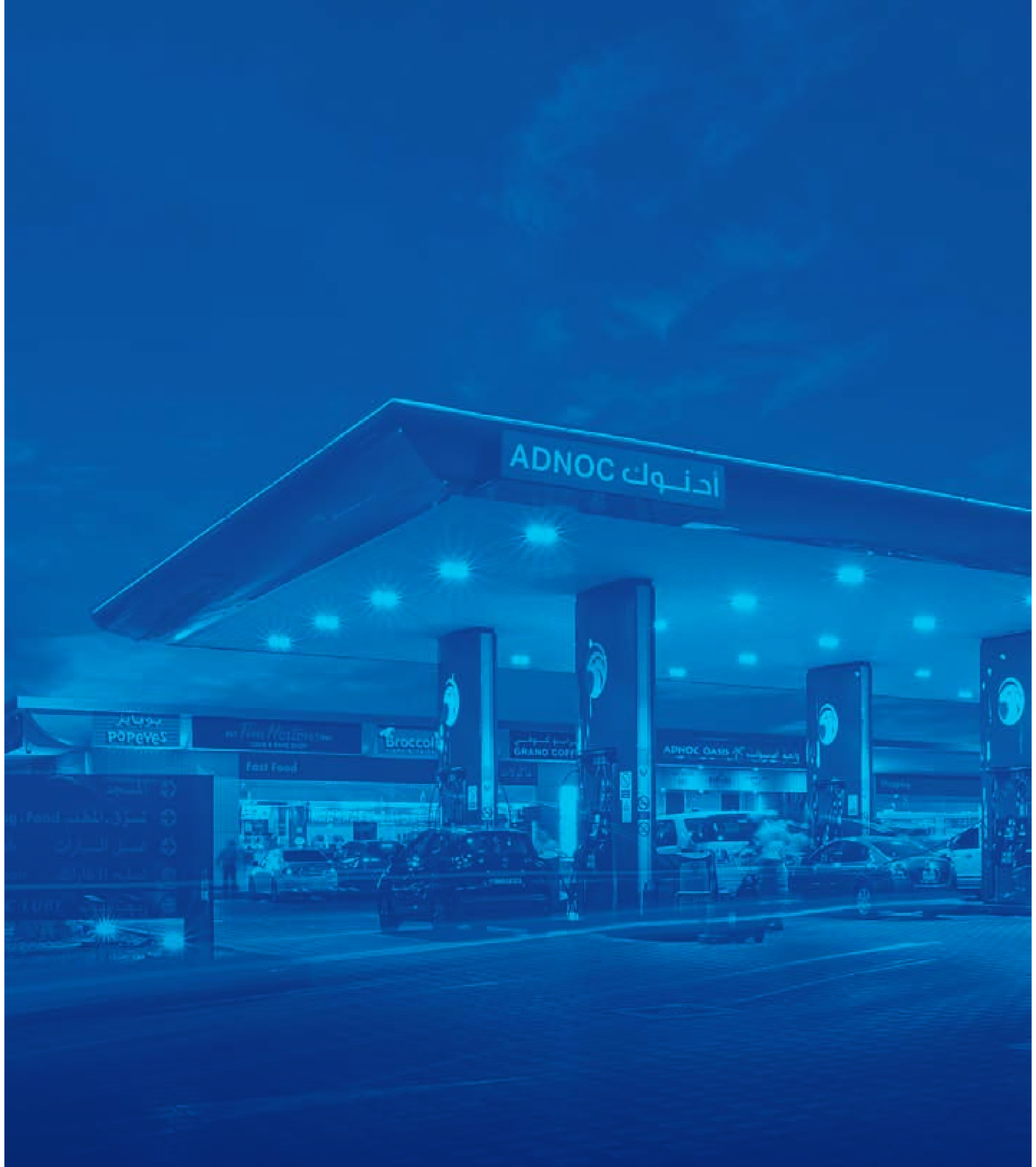
# A JOURNEY OF TRANSFORMATION

Corporate Governance Report 2017




**ADNOC Distribution**

## Introduction

2017 was a landmark year for ADNOC Distribution. On 13 December 2017, we completed our initial public offering (IPO) and the listing of our shares on the Abu Dhabi Securities Exchange (ADX). Undertaking an IPO was consistent with the announced plans of our largest shareholder, Abu Dhabi National Oil Company (ADNOC), to unlock value and deliver on its 2030 strategy in response to a fast evolving economic and energy landscape. In addition to contributing to ADNOC's growth strategy, our IPO has resulted in an ongoing transformation of our business, one in which we have adopted a renewed commercial mindset across our business and have implemented exciting initiatives to enhance our performance and efficiency, to serve our customers better, and to deliver positive returns to our investors.

In connection with our IPO, we made a commitment to our investors to adopt corporate governance policies and practices that reflect international best practices. This is a commitment that we take very seriously. We do so not only because our investors – be it ADNOC, our regional and international institutional investors, or our individual investors in the UAE – deserve the level of transparency and shareholder protections that come from good corporate governance practices, but also because we recognize that a commitment to strong principles of corporate governance is good for our customers, good for the communities we serve, and good for our business.

In this, our inaugural Corporate Governance Report, we want to remind you of the comprehensive corporate governance framework that we have adopted and report to you on our corporate governance activities leading up to and following the IPO.

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## Our Corporate Governance Framework

Assuring that our corporate governance policies and practices comply with applicable laws and regulations and are consistent with international best practices ultimately is the responsibility of our Board of Directors. The corporate governance framework that our Board has adopted complies with the corporate governance requirements applicable to joint stock companies as set out in Resolution No. 7/R.M. Concerning Corporate Discipline and Governance Standards of Public Joint Stock Companies (Governance Rules) issued on 28 April 2016 by the Chairman of the UAE Securities & Commodities Authority (SCA).

The Governance Rules require that a majority of our Board comprises non-executive directors, and at least one-third of the Board must be "independent" in accordance with the criteria set out in the Governance Rules. The Governance Rules define an independent member as a member who has no relationship with the Company, any member of executive management, its auditor, its parent company, its subsidiaries, any sister company, or any affiliate company that could lead to financial or moral benefit which may affect his or her decisions. Consistent with these rules, our Board consists entirely of non-executive directors, and three of our seven directors are independent within the meaning of the Governance Rules and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

Or Board has overall responsibility for directing our affairs, creating and preserving value through our operations, and considering the interests of shareholders and other stakeholders. As envisaged by the Governance Rules, our Board has established two permanent committees, an Audit Committee and a Nomination and Remuneration Committee, comprised entirely of members of the Board, which play an integral role in the exercise of the Board's responsibilities. The Board also has established an Insider Dealing Committee, chaired by our General Counsel, which monitors compliance with our insider dealing policy. Information about these committees is set forth in this report.

The Board is responsible for delegating certain authorities to our management, vesting responsibility for the day-to-day operations of the Company in management while reserving certain powers for the Board's own decision making. To satisfy its oversight role, the Board has defined a clear control structure to monitor management's activities and to facilitate internal and external reporting structures.

The Board has adopted numerous corporate governance and compliance policies to assure compliance with applicable laws and regulations and consistency with international best practices. In addition to the insider dealing policy, these include, among others, an anti-bribery and corruption policy, a compliance investigations policy, a conflicts of interest policy, a related party transactions policy, and a whistleblowing policy. These policies are detailed elsewhere in this report.



## Our Board of Directors

In accordance with our Articles of Association (Articles), our Board comprises seven directors. Currently, all seven of our directors are non-executive directors, and three of our directors are independent within the meaning of the Governance Rules. Pursuant to the Articles, each director serves a three-year term, after which a director may be elected to a successive term or terms. Set forth below is a list and certain information regarding our Board of Directors:

| Name | | Year appointed |
|---|---|---|
| H.E. Dr. Sultan Ahmed Al Jaber | Non-executive Chairman | 2016 |
| Mr. Abdulla Salem Al Dhaheri | Non-executive Director | 2008 |
| Mr. Matar Hamdan Al Ameri | Non-executive Director | 2017 |
| Mr. Abdulaziz Abdulla Alhajri | Non-executive Director | 2017 |
| Mr. Jassim Mohammed Alseddiqi | Independent Non-executive Director | 2017 |
| Mr. Pedro Miró Roig | Independent Non-executive Director | 2017 |
| Mr. David-Emmanuel Beau | Independent Non-executive Director | 2017 |

**H. E. Dr. Sultan Ahmed Al Jaber**

Non-executive Chairman

His Excellency Dr Sultan Ahmed Al Jaber has served as Chief Executive Officer of ADNOC since February 2016. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company. He also serves as UAE Minister of State, a position he has held since March 2013. Dr. Al Jaber also is Chairman of Masdar, Abu Dhabi Ports, the National Media Council, and several other ADNOC group companies. He is also a member of the Board of Directors of Emirates Global Aluminium.

**Abdulla Salem Al Dhaheri**

Non-executive Director

*Member of the Nomination and Remuneration Committee*

Mr. Abdulla Salem Al Dhaheri has served as Director, Marketing, Sales & Trading, of ADNOC since 2016. From 2009 to 2016, Mr. Al Dhaheri served as our Chief Executive Officer. Mr. Al Dhaheri also is a director of Emirates Telecommunications Corporation (Etisalat), Compañía Española de Petróleos (CEPSA), Abu Dhabi Quality and Conformity Council, and several other ADNOC group companies.

**Matar Hamdan Al Ameri**

Non-executive Director

*Member of the Audit Committee*

Mr. Matar Hamdan Al Ameri has served as Director, Finance & Investments of ADNOC, since 2012. He also serves on several other ADNOC group company boards of directors.

**Abdulaziz Abdulla Alhajri**

Non-executive Director

Mr. Abdulaziz Abdulla Alhajri has served as Downstream Director of ADNOC since May 2016. From October 2007 to May 2016, he was Chief Executive Officer of Abu Dhabi Polymers Company (Borouge), a joint venture of ADNOC and Borealis. He also serves on several other ADNOC group company boards of directors.

## **Our Board of Directors** continued

**Jassim Mohammed Alseddiqi**
Independent Non-executive Director

*Chairman of the Nomination and Remuneration Committee*
*Member of the Audit Committee*

Mr. Jassim Mohammed Alseddiqi has served as Chief Executive Officer of Abu Dhabi Financial Group since January 2011. He also serves as a Director of First Abu Dhabi Bank, Chairman of SHUAA Capital, and Chairman of Eshraq Properties. He is also a member of the Board of Directors of Tourism and Development Investment Company.

**David-Emmanuel Beau**
Independent Non-executive Director

*Chairman of the Audit Committee*

Mr. David-Emmanuel Beau is Chief Investment Officer of the Direct Investments Department at the Abu Dhabi Investment Council (ADIC), where he focuses on the MENA region. He was previously a fund manager at the Abu Dhabi Investment Authority (ADIA) and is also a Director of Invest AD.

**Pedro Miró Roig**
Independent Non-executive Director

*Member of the Nomination and Remuneration Committee*

Mr. Pedro Miró Roig has been Chief Executive Officer of Compañía Española de Petróleos (CEPSA) since September 2013, and Vice Chairman since June 2014. He served as Chief Operating Officer of CEPSA from 2011 to 2013. Mr. Miró also serves as Chairman of the Board of Trustees of Fundación Cepsa, and as a member of the Boards of Trustees of the Princess of Asturias Foundation and Fundación para la Sostenibilidad Energética y Ambiental (FUNSEAM).

The Articles require that Board meet a minimum of four times each year. Quorum for meetings is a majority of directors, and voting during meetings is a majority of attendees.

Our current Board of Directors (our Post-IPO Board) assumed their positions on 16 November 2017. Prior to 16 November 2017, our Board of Directors (Pre-IPO Board) was comprised of the following individuals:

| Name | | Year appointed |
|---|---|---|
| H.E. Dr. Sultan Ahmed Al Jaber | Non-executive Chairman | 2016 |
| Mr. Abdulla Salem Al Dhaheri | Non-executive Director | 2008 |
| H.E. Eissa Mohamed Al Suwaidi | Independent Non-executive Director | 1987 |
| Mr. Hashem Alsayed Yousif Alsayed Mohamed Al Rafaei | Non-executive Director | 2016 |
| Ms. Fatima Mohammed Al Mutawa | Non-executive Director | 2016 |
| Mr. Jasem Ali Al Sayegh | Non-executive Director | 2008 |
| Mr. Ahmed Khalifa Al Qubaisi | Non-executive Director | 2016 |

Prior to the IPO, we had one female director, Ms. Fatima Mohammed Al Mutawa. We currently do not have any female directors. We value diversity in our organization and are constantly working to recruit more women in all areas of our business. We will continue to consider all qualified candidates, regardless of gender, to serve on our Board of Directors.

In 2017, our Pre-IPO Board met on three occasions, and our Post-IPO Board met on one occasion. In addition, our Articles permit our Board to act by circulation. In 2017, our Pre-IPO Board adopted resolutions by circulation on four occasions, and our Post-IPO Board adopted resolutions by circulation on two occasions.

The following tables set forth the meetings held by our Board of Directors in 2017:

**Pre-IPO Board**

| Name | | BOD mtg. no. 89 (1/2017) | BOD mtg. no. 90 (2/2017) | BOD mtg. no. 91 (3/2017) |
|---|---|---|---|---|
| H.E. Dr. Sultan Ahmed Al Jaber | Non-executive Chairman | P | P | P |
| H.E. Eissa Mohamed Al Suwaidi | Independent Director | P | A | A |
| Mr. Abdulla Salem Al Dhaheri | Non-executive Director | P | P | P |
| Mr. Jasem Ali Al Sayegh | Non-executive Director | P | P | P |
| Mr. Ahmed Khalifa Al Qubaisi | Non-executive Director | P | P | P |
| Mr. Hashem Al Refai | Non-executive Director | P | P | P |
| Ms. Fatima Al Mutawa | Non-executive Director | P | P | P |

P – Present, A – Absent

**Post-IPO Board**

| Name | | BOD mtg. no. 92 (4/2017) |
|---|---|---|
| H.E. Dr. Sultan Ahmed Al Jaber | Non-executive Chairman | P |
| Mr. Abdulla Salem Al Dhaheri | Non-executive Director | P |
| Mr. Matar Hamdan Al Ameri | Non-executive Director | P |
| Mr. Abdulaziz Abdulla Alhajri | Non-executive Director | P |
| Mr. Jassim Mohammed Alseddiqi | Independent Director | P |
| Mr. Pedro Miró Roig | Independent Director | P |
| Mr. David-Emmanuel Beau | Independent Director | P |

P – Present, A – Absent

Our Board is responsible for directing our Company towards achievement of our vision and business objectives. To this end, the Board ensures our strategic leadership, financial soundness, governance, management and control.

It is the responsibility of our Chairman to lead the Board, to ensure the Board is aware of material information and developments, and to encourage all directors to act in the best interests of the Company.

Directors are expected to exercise due care and skill in the performance of their duties. Each independent director has a particular obligation to conduct his or herself and participate in Board meetings with an independent mind, to give priority to the Company upon any conflict of interest, to have particular regard to the protection of the interests of minority shareholders, and to challenge the Board and management.

In accordance with the Articles, the Board must review any conflicts of interest of directors. Each director is obligated to notify the Board of his or her conflicts of interest, or any conflicts of interest of an entity that he or she represents, in respect of a transaction or dealing that the Company is a party to. Any conflict of interest of a director must be referred to the Board for approval and must also be approved on an annual basis by the shareholders at a general assembly.

## Committees of the Board of Directors

### Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of our annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the relationship with our external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of our internal control review function. The Audit Committee makes recommendations to the Board, which retains ultimate responsibility for reviewing and approving our annual report and financial accounts.

The Audit Committee gives due consideration to the applicable laws and regulations of the UAE, SCA and the ADX, including the provisions of the Governance Rules. The Governance Rules, reflected in the Audit Committee charter, require that the Audit Committee comprise at least three members who are non-executive directors, and at least two of the members must be independent. One of the independent members must be appointed as chairman of the committee. In addition, at least one member is required to have recent and relevant audit and accounting experience. The current members of the Audit Committee are Mr. Beau (Chairman), Mr. Alseddiqi, and Mr. Al Ameri.

The Audit Committee has taken appropriate steps to ensure that the Company's external auditors are independent of the Company as required by the Governance Rules. The Audit Committee also has obtained written confirmation from our auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The Audit Committee held three meetings in 2017 prior to the IPO, and the current Audit Committee held one meeting in 2017, as set forth in the following tables:

### Pre-IPO Audit Committee

| Name | | 30 April 2017 | 6 Sept 2017 | 15 Nov 2017 |
|---|---|---|---|---|
| Ms. Fatima Al Mutawa | Chairperson | P | P | P |
| Mr. Ahmed Al Hammadi | Member | P | P | P |
| Ms. Hamda Al Shamsi | Member | P | P | P |

P – Present, A – Absent

### Post-IPO Audit Committee

| Name | | 12 December 2017 |
|---|---|---|
| Mr. David-Emmanuel Beau | Chairman | P |
| Mr. Matar Hamdan Al Ameri | Member | A |
| Mr. Jassim Mohammed Alseddiqi | Member | P |

P – Present, A – Absent

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board and, in particular, for monitoring the independent status of the independent non-executive directors. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors or committee members as the need may arise. In addition, the Nomination and Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of our remuneration policy and determining the individual remuneration and benefits package of our senior management.

The Governance Rules, reflected in the Nomination and Remuneration Committee charter, require the Nomination and Remuneration Committee to be comprised of at least three non-executive directors, at least two of whom must be independent. The chairman of the Nomination and Remuneration Committee must be chosen from amongst the independent committee members. The current members of the Nomination and Remuneration Committee are Mr. Alseddiqi (Chairman), Mr. Miró and Mr. Al Dhaheri.

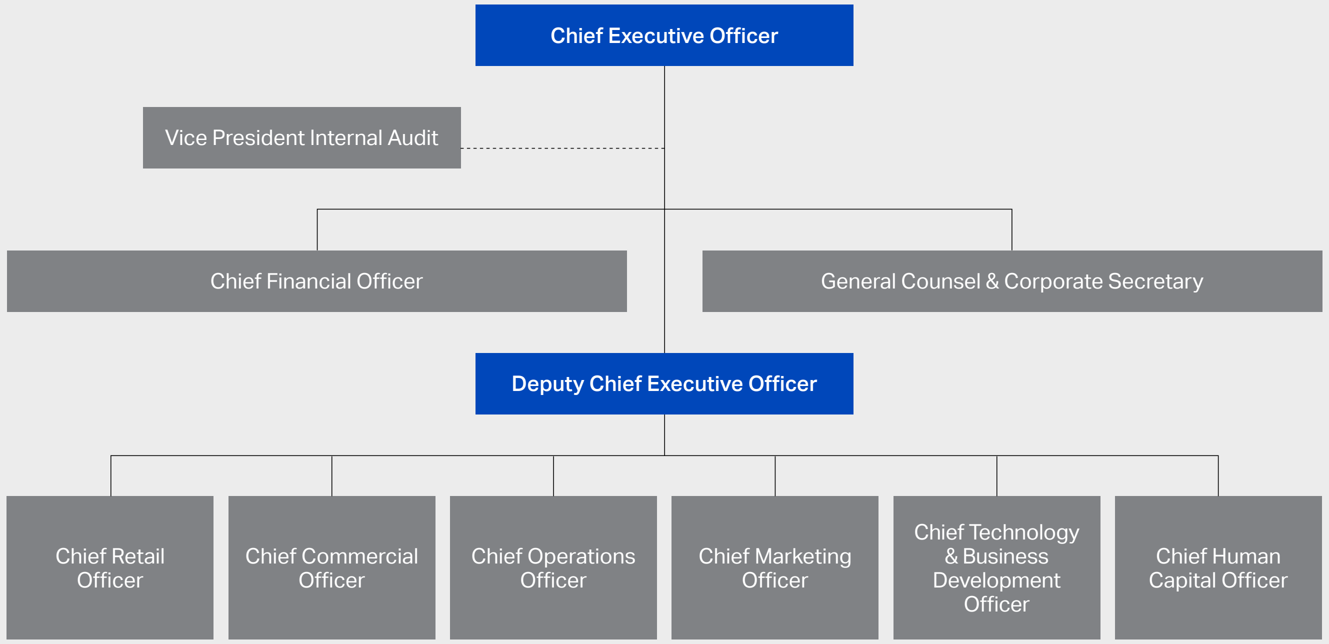
The Nomination and Remuneration Committee was formed in connection with our December 2017 IPO but did not hold any meetings in 2017.



## Executive Management

Our executive management team carries out the day-to-day activities of the Company pursuant to authority granted to it by the Board of Directors pursuant to a Delegation of Authority. The Delegation of Authority, which has been approved by our Board and remains in effect until repealed or replaced, defines clear limits on the ability of management to conduct the affairs of the Company, beyond which approval of the Board of Directors must be sought.

In February 2018, as part of the ambitious transformation program that we have undertaken since our IPO, our Board has approved the following Executive Management organizational structure:



**Saeed Mubarak Al Rashdi**

Acting Chief Executive Officer

Mr. Saeed Mubarak Al Rashdi joined ADNOC Distribution in 1995 and has served as Acting Chief Executive Officer since March 2016. He also served as Senior Vice President, Technical from February 2012 to February 2018, and as Senior Vice President, Operations from 2008 to 2012. Mr. Al Rashdi also serves on the Board of Abu Dhabi Petroleum Ports Operating Company (IRSHAD), and on the Board Advisory Committees of ADNOC Refining and Abu Dhabi National Tanker Company (ADNATCO). Mr. Al Rashdi holds a BSc in Electrical Engineering from the University of Evansville and an MBA from United Arab Emirates University.

**John Carey**

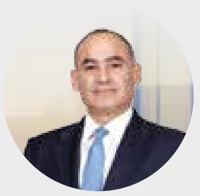
Deputy Chief Executive Officer

Mr. John Carey joined ADNOC Distribution as Deputy Chief Executive Officer in September 2017. He previously held numerous senior positions at BP from 1994, including most recently as Senior Vice President, where he was a senior adviser on future downstream strategy. Mr. Carey was Senior Vice President, Sales and Marketing, BP Fuels North America, from 2015 to 2017; President, BP West Coast Products LLC., from 2013 to 2015; and Chief Executive Officer of BP Lubricants, Aviation, Offshore, Marine, Industrial and Energy from 2012 to 2013. Mr. Carey holds a BE in Chemical Engineering from University College, Dublin.

**Petri Pentti**

Chief Financial Officer

Mr. Petri Pentti joined ADNOC Distribution as Chief Financial Officer in November 2017. Before joining ADNOC Distribution, Mr. Pentti served as Chief Financial Officer of Emirates National Oil Company (ENOC) since 2008. Previously, Mr. Pentti served as Chief Financial Officer of Neste Corporation, an oil refining and marketing company, from 2004 to 2008, and of Finnair from 1998 to 2004. Mr. Pentti holds a Master's degree in Economics and Business Administration from the Turku School of Economics and Business Administration.



**Ian Blumenstein**

General Counsel & Corporate Secretary

Mr. Ian Blumenstein joined ADNOC Distribution as General Counsel & Corporate Secretary in December 2017. Prior to joining ADNOC Distribution, Mr. Blumenstein had served for over 25 years an attorney and partner in several international law firms, including Latham & Watkins LLP and Shearman & Sterling LLP. Mr. Blumenstein holds a JD from Harvard Law School and a BA from the University of Michigan.

**Saleh Khamis Humaid**

Chief Operations Officer

Mr. Saleh Khamis Humaid joined ADNOC Distribution in 1993 and has served as Chief Operations Officer (previously Senior Vice President, Operations) since 2012. Mr. Humaid previously served as Vice President, Health, Safety, Security & Environment, Vice President, Maintenance & Technical Services, and Engineering & Projects Division Manager. Mr. Humaid holds a BSc in Electronics from the University of Arkansas at Little Rock, a Master's Certificate in Project Management from George Washington University, and an Executive MBA from Zayed University.



**Nasser Ali Al Hammadi**

Chief Retail Officer

Mr. Nasser Ali Al Hammadi joined ADNOC Distribution in 1988 and has served as Chief Retail Officer (formerly Senior Vice President, Retail) since October 2017. Mr. Al Hammadi served as Senior Vice President, Commercial from 2011 to 2017. Mr. Al Hammadi holds a BA from United Arab Emirates University.

**José Aramburu**

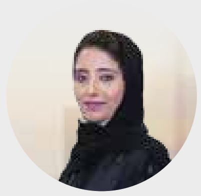
Chief Commercial Officer

Mr. José Aramburu joined ADNOC Distribution as Chief Commercial Officer (previously Senior Vice President, Commercial) in October 2017. From 2012 to 2017, Mr. Aramburu held numerous senior positions with Compañia Española de Petróleos (CEPSA), including Specialties Manager of CEPSA Commercial Petroleum from 2014 to 2017, Lubricants Manager of CEPSA Commercial Petroleum from 2012 to 2014, and Business Development Director of CEPSA Quimica from March 2012 to December 2012. Mr. Aramburu holds a BSc from Universidad Autónoma de Madrid.

**Abdulla Hamad Al Mentheri**

Chief Technology & Business Development Officer

Mr. Abdulla Al Mentheri joined ADNOC Distribution as Chief Technology & Business Development Officer in January 2018. He was previously Global Quality Manager at Borouge Petrochemicals and has more than 18 years' international experience in Europe, China, Singapore and the US. Mr. Al Mentheri holds an MBA from MIT Sloan School of Management, an MSc in Engineering Management from California State University, and a BSc in Chemical Engineering from Colorado School of Mines.



**Mariam Al Aidarous**

Chief Human Capital Officer

Ms. Mariam Al Aidarous was appointed Chief Human Capital Officer in February 2018. She joined ADNOC Distribution in 2002 as Corporate Planning Analyst and was appointed Planning and Performance Management Manager in 2008 and Vice President, Strategic and Risk Management Division in 2012. Ms. Al Aidarous also served as Corporate Secretary from 2015 to 2017. Ms. Aidarous holds a Bachelor's degree in Management Information Systems from United Arab Emirates University.

**Stephen Saunders**

Chief Marketing Officer

Mr. Stephen Saunders joined ADNOC Distribution in January 2018 and was appointed Chief Marketing Officer in February 2018. Previously, Mr. Saunders held a number of senior positions across BP's downstream businesses, including most recently Head of Marketing for BP's new market entry. In 2015 he served as Head of Marketing for BP Fuels North America, and from 2009 to 2015 as Fuels Strategy Director. Mr. Saunders holds a MSc in International Development from University of London and a BSc in Food Marketing Economics from University of Reading.

## Remuneration of the Board and Management

**Board Remuneration**

Total remuneration paid to our Board of Directors in 2017 was AED 520,000. In accordance with the ADNOC policy that was applicable prior to our IPO, compensation paid to our Board of Directors during 2017 was paid by ADNOC. No additional compensation was paid for serving on committees of the Board.

Our Board of Directors has not yet made a recommendation with respect to proposed remuneration for the Board of Directors, or for serving on committees of the Board, for 2018. Remuneration for the Board of Directors and for serving on committees of the Board for 2018 will be considered by the Board following a recommendation of the Nomination and Remuneration Committee and submitted to the shareholders at a general assembly for approval.

**Management Remuneration**

The remuneration and allowances of senior executives for 2017 are as follows:

| (All amounts in AED) | Appointment date | Total salaries and allowances paid with respect to 2017 | Total bonuses paid with respect to 2017 | All other cash/in-kind compensation with respect to 2017 |
|---|---|---|---|---|
| Acting CEO | March 2016 | 2,110,620 | 168,934 | (1) 151,400 |
| Deputy CEO | September 2017 | 832,000 | – | (2) 312,660 |
| Chief Financial Officer | November 2017 | 305,500 | – | (3) 122,800 |
| Chief Operations Officer | February 2012 | 1,974,492 | 108,294 | (4) 21,484 |
| Chief Retail Officer | September 2017 | (5) 1,909,674 | (5) 113,248 | (5)(6) 9,000 |

(1) Includes an AED 20,000 long-service award and AED 131,400 in allowances for business travel.
(2) Includes AED 120,000 in allowances for business travel and an AED 192,660 relocation allowance.
(3) Includes AED 72,800 in allowances for business travel and an AED 50,000 relocation allowance.
(4) Includes AED 21,000 in allowances for business travel and an AED subsistence allowance.
(5) Includes amount paid to our Chief Retail Officer prior to his appointment, during which time he served as Senior Vice President, Corporate Sales.
(6) Includes AED 9,000 in allowances for business travel.

Set forth below is certain information regarding our management remuneration policy.

*Remuneration philosophy* – The Company's overall philosophy with respect to remuneration is based on the approach that remuneration should be linked to the performance and behavior of an individual, business results and shareholder and customer outcomes. The approach to management remuneration is intended to:

- attract, motivate and retain the executive management team;
- provide an appropriate balance between fixed and variable pay;
- ensure strong performance orientation across the executive management team with an appropriate balance between short- and long-term performance;
- provide an appropriate blend of corporate and divisional performance, to help balance "corporate glue" with line-of-sight to results;
- align the interests of the executive management team with those of shareholders; and
- be straight-forward and easy to understand for shareholders and participants.

Reward levels are set to attract, retain and engage high caliber talent to support the business strategy. Selected employees are able to share in the success of the Company through participation in annual bonus schemes, with select members of the senior management team also eligible for participation in a long-term incentive plan.

*Guaranteed pay* – In line with local UAE market norms, fixed pay arrangements comprise several different components. These include a blend of basic salary and a range of non-consolidated cash allowances.

- *Supplemental allowance* – additional component to basic salary, paid as a monthly lump sum based on grade level to both UAE nationals and non-UAE nationals.
- *General allowance* – intended to encompass a number of other allowances typically paid separately in other organizations (utility, vacation, furniture maintenance, annual leave airfare), paid as a monthly lump sum based on grade level to both UAE nationals and non-UAE nationals.
- *Social allowance* – paid to all UAE nationals in accordance with the Cabinet Resolution No. 5 of 1981, paid monthly as a lump sum based on grade level.
- *Child allowance* – flat monthly lump sum paid to UAE nationals for each eligible child.
- *Child education assistance* – an annual reimbursement up to a maximum value based on grade level paid to both UAE nationals and non-UAE nationals to support eligible employees with children attending school in the UAE.
- *Housing financial assistance* – paid to both UAE nationals and non-UAE nationals to support employees in obtaining suitable unfurnished accommodation.

Salaries and allowance are periodically reviewed according to Company policy. Adjustments are made as required to ensure market competitiveness and maintain internal equity.

*Benefits and pension* – The Company provides all employees and eligible resident dependents with health and risk insurance coverage. UAE national employees are automatically enrolled in the Pension Scheme of the Emirate of Abu Dhabi in accordance with Law No. 2 of 2000. The employee contribution is 5% of pensionable monthly salary with an employer contribution of 15% of pensionable monthly salary. For other GCC nationals, the Company contributes to the GCC Pension Scheme in accordance with the provisions of Law No.18 of 2007.



*Annual bonus* – Annual bonuses are payable at the sole discretion of the Board of Directors. Bonuses are based on the achievement of demanding metrics measured over a one-year performance period. For the most senior executives, the potential bonus opportunity is capped in any financial year at a sufficiently motivational level, with consideration of local competitive market norms. Bonus opportunities are cascaded by seniority as appropriate. Performance measures and targets are based on an appropriate combination of corporate, divisional and individual performance.

*Long Term Incentive Plan ("LTIP")* – The LTIP will form the primary long-term incentive arrangement for senior management. The purpose of the LTIP is to incentivize and reward the creation of long-term shareholder value.

Under the LTIP, it is intended that awards will be in the form of a conditional right to a cash payment structured as an award over notional shares, with the granting of any awards subject to the discretion of the Board of Directors each year.

In the normal course of events, awards under the LTIP will vest three years from the date of grant of the award (or, if later, upon the assessment of performance conditions), subject to the participant's continued service and the extent to which performance conditions specified for the awards are satisfied.

During the early years of the operation of the LTIP, it is the Board of Directors' intention to reward the achievement of the business targets that have been set out for investors to ensure that management are motivated to deliver on our business plan and drive value creation over the medium to long-term.

*Operation and eligibility* – The Board of Directors has delegated authority to the Nomination and Remuneration Committee to supervise the operation of the LTIP. Any employee of the Company and its subsidiaries is eligible to participate in the LTIP at the discretion of the Board.

*Performance conditions* – The extent of vesting of awards granted to executive management of the Company is subject to performance conditions set by the Board. The extent of vesting of awards granted to other participants may be subject to performance conditions set by the Board. The Board may vary the performance conditions applying to existing awards if an event has occurred which causes the Board to consider that it would be appropriate to amend the performance conditions, provided the Board considers the varied conditions to be fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

*Vesting of awards* – Awards normally vest on the third anniversary of grant or, if later, when the Board determines the extent to which any performance conditions have been satisfied. The Board may specify different normal vesting periods that end before or after the third anniversary of grant.

*Leaving employment* – As a general rule, an award will lapse upon a participant ceasing to hold employment within the Company. However, if the participant ceases to be an employee within the Company because of the participant's death, injury, disability, the participant's employing company or the business for which the participant works being sold out of the Company or in other circumstances at the discretion of the Board, then the participant's award will vest on the date when it would have vested if the participant's employment had not so ceased.

The extent to which an award will vest in these situations will depend upon (i) the extent to which the performance conditions (if any) have been satisfied at that time; and (ii) the pro-rating of the award by reference to the period of time served in employment during the normal vesting period, although the Board can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee in the Company for one of the "good leaver" reasons specified above (or in other circumstances at the discretion of the Board), the Board can decide that their award will vest on cessation, subject to (i) the performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above. Such treatment shall also apply in the case of death.

Corporate events – In the event of a takeover or winding up of the Company (not being an internal corporate reorganization), all awards will vest early, subject to (i) the extent that the performance conditions (if any) have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the period of time between their grant and vesting, although the Board can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganization, awards will be replaced by equivalent new awards over shares in a new holding company unless the Board decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Board, would affect the market price of shares to a material extent, then the Board may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Dividend equivalents – The Board may decide that participants will receive an additional cash payment at the time of delivery of the cash payment based on the vested notional shares of an amount equivalent to the dividends that would have been paid had the notional shares been actual shares between the date of grant and the vesting of the related award. This amount may assume the reinvestment of dividends.

## Transactions of Directors and Employees in Company Securities

Purchases and sales of our shares and other transactions involving our securities by directors and employees are governed by our Policy Regarding the Use of Inside Information and Prevention of Insider Dealing (Insider Dealing Policy), which was adopted by our Board on 6 November 2017.

It is the policy of the Company that inside information must not be used by any director, officer, or other employee of the Company for personal gain. The Company expects all directors, officers, and other employees, as well as other persons with whom the Company transacts, to abide by this policy, and in doing so adhere to applicable laws that apply to inside information and dealings in the Company's securities.

As a general principle, we are obligated to make public any information which could affect the price of our shares as soon as such information becomes available unless there are valid reasons for retaining the confidentiality of such information. The use of undisclosed information which could affect the price of our shares in order to achieve personal gain, however, is not permitted under applicable laws and regulations. It is also an offense to spread market rumors which could affect the price of our shares for personal gain.

The Insider Dealing Policy mandates compliance with these laws and regulations, and also establishes a Share Dealing Code and an Insider Dealing Committee to oversee compliance with the Insider Dealing Policy and the Share Dealing Code. Pursuant to the code, all directors, officers and other employees who are in possession of inside information are prohibited dealing in the Company's shares during certain periods, and must seek approval from the Insider Dealing Committee to purchase, sell or otherwise deal in our shares during other periods. In order to grant approval, the Insider Dealing Committee must be satisfied that the individual seeking to deal in the Company's shares are not at that time in possession of inside information. The Insider Dealing Committee is comprised of three members, our General Counsel, who must chair the committee, and two other members appointed by the Board of Directors. Currently, the members of the committee, in addition to Mr. Ian Blumenstein, our General Counsel, are Mr. Petri Pentti, our Chief Financial Officer, and Mr. Ahmed Al Shamisi, our Manager, Budget Control Department.

The Insider Dealing Committee was constituted by our Board of Directors at a meeting held on 18 December 2017. The Insider Dealing Committee did not hold any meetings in 2017.

The following table sets forth purchase and sales of our shares by our Directors, their spouses and their children in 2017:

| Director | | Shares purchased | Shares sold | Shares owned at 31 December 2017 |
|---|---|---|---|---|
| H.E. Dr. Sultan Ahmed Al Jaber | Chairman | – | – | – |
| Mr. Abdulla Salem Al Dhaheri | Director | – | – | – |
| Mr. Matar Hamdan Al Ameri | Director | – (1) | – | – (1) |
| Mr. Abdulaziz Abdulla Alhajri | Director | – | – | – |
| Mr. Jassim Mohammed Alseddiqi | Independent Director | – | – | – |
| Mr. Pedro Miró Roig | Independent Director | – | – | – |
| Mr. David-Emmanuel Beau | Independent Director | – | – | – |

(1) Excludes 16,000,000 shares purchased and owned at 31 December 2017 by Jenaan Investment LLC and 1,790,451 shares purchased and owned at 31 December 2017 by Fornax Services Private Limited, in each of which Mr. Al Ameri has a significant ownership interest.

## Transactions with Related Parties

Our Related Party Transaction Policy, which we adopted in connection with our IPO, is designed to ensure that (i) transactions with related parties are on arm's length; (ii) the Board of Directors and senior management are aware of the steps required to approve a transaction with related parties; and (iii) a legitimate business case is developed to support related party transactions, including their arms' length nature. In accordance with the policy, we may not enter into a related party transaction unless it has been approved by (i) our Board, in the case a transaction the value of which does not exceed 5% of our share capital; and (ii) our shareholders at a general assembly, in the case a transaction the value of which exceeds 5% of our share capital. The foregoing requirement does not apply to transactions with ADNOC and with other ADNOC group companies; however, for so long as ADNOC owns more than 50% of our shares, we may not enter into transactions with ADNOC or other ADNOC group companies unless such transactions have been approved by our Board of Directors, including a majority of the independent members of the Board.

We are and have been a party to various agreements and other arrangements with related parties, comprising ADNOC and certain of its other subsidiaries. The most significant of these transactions are described below.

### Relationship Agreement with ADNOC

In connection with our IPO, we entered into a Relationship Agreement with ADNOC pursuant to which ADNOC agreed, for so long as our shares are listed on the ADX and ADNOC owns or controls more than 50% of the shares, among other things, (i) not to take certain actions that might interfere with our status as an independent company, including (a) ADNOC will not take any action that would interfere with our ability to comply with our obligations under certain ADX and SCA listing and governance rules, and (b) ADNOC will conduct all transactions with us on arms' length terms and on a commercial basis and will allow us to carry out our business independently; (ii) not to engage in a competing gasoline filling station business or retail convenience store business in the UAE; and (iii) not to terminate, and to renew at our request, certain supply and other agreements we have entered into with ADNOC, in each case so long as we are not in material default of our obligations under those agreements. In addition, ADNOC will not seek to induce certain specified senior employees to become engaged with ADNOC for a period of twelve months from the date of the IPO.

Pursuant to the Relationship Agreement, we also have agreed to enter into transactions with ADNOC and other members of the ADNOC group only with the approval of a majority of our directors, including a majority of our independent non-executive directors (other than transactions that, in accordance with our delegation of authority, do not require Board approval). Any enforcement of the provisions of the Relationship Agreement against ADNOC requires approval by our Board of Directors, which is effectively controlled by ADNOC. However, for so long as ADNOC holds the majority of our shares, ADNOC has agreed to procure that there shall be three independent non-executive directors appointed to the Board at all times and and, if the overall size of the Board increases, that the number of independent non-executive directors appointed to the Board shall, if necessary, also be increased so they amount to least one-third of the total number of directors on the Board.

### Refined Products Supply Agreement

We entered into a Refined Products Supply Agreement with ADNOC, effective 1 October 2017, pursuant to which we have agreed to purchase from ADNOC, and ADNOC has agreed to sell to us, refined liquid hydrocarbons, comprising unleaded gasoline (91, 95 and 98 grades), gas oil (diesel), illuminating kerosene, and aviation fuels. The term of the Refined Products Supply Agreement is for an initial period expiring on 31 December 2022, and will be extended automatically for subsequent five-year terms unless either party notifies the other of its intention not to renew at least 12 months prior to the then-effective expiration date. Under the Refined Products Supply Agreement, ADNOC has committed to supply all quantities of refined products included in annual and quarterly plans and has agreed to use its best endeavors to source such products from third-party suppliers to the extent not otherwise available to it.

Pursuant to the Refined Products Supply Agreement, the prices for gasoline and gas oil (diesel) will equal the Platt's benchmarks utilised by the Retail Price Committee chaired by the UAE Ministry of Energy to set retail pump prices plus 2.7 fils per liter, provided that during the initial term of the agreement expiring on 31 December 2022, such prices will be reduced on a fils-for-fils basis if the regulated gross margins on retail sales of gasoline and diesel are reduced from their current levels.

In addition, ADNOC must make a payment to us to the extent that, for any contract year, the actual per-liter gross margin we earn on retail sales of gasoline and diesel (calculated by reference to actual retail fuel sale revenue less the price we pay for such fuel under the Refined Products Supply Agreement) is less than 26.3 fils per liter in the case of grade 91 gasoline, less than 33.3 fils per litre in the case of grade 95 gasoline, less than 44.3 fils per litre in the case of grade 98 gasoline, and less than 49.3 fils per litre in the case of diesel. Any fils-per-litre shortfall against such minimum margin levels is payable to us by ADNOC in respect of all fuel quantities we have sold of the affected grade during the relevant year. For other refined products, including illuminating kerosene and aviation fuels, prices will be ADNOC's official selling prices for such products.

Under the Refined Products Supply Agreement, we have agreed to purchase refined products exclusively from ADNOC, and ADNOC undertakes not to compete with us in selling to any customer in the UAE without our consent, except for sales to Emarat, ENOC, customers purchasing more than 10,000 metric tonnes of refined products, and customers to whom we have elected not to sell refined products. ADNOC has also undertaken not to sell on a spot basis to unaffiliated non-export customers in the UAE at prices lower that the prices it charges us.

**LPG Supply Agreement**

We entered into an LPG Supply Agreement with ADNOC, effective 1 October 2017, pursuant to which we have agreed to purchase from ADNOC, and ADNOC has agreed to sell to us, butane, propane and LPG in quantities requested by us and confirmed by ADNOC. The term of the LPG Supply Agreement is for an initial period expiring on 31 December 2022, and will be extended automatically for subsequent five-year terms unless either party notifies the other of its intention not to renew at least 12 months prior to the then-effective expiration date. Under the LPG Supply Agreement, ADNOC has committed to supply the quantities of products confirmed by ADNOC each month and has agreed to use its best endeavors to source such products from third-party suppliers to the extent not otherwise available to it.

Pursuant to the LPG Supply Agreement, prices for butane, propane and LPG are ADNOC's official selling prices as in effect from time to time, provided that, for so long as the retail price of LPG cylinders is regulated, the price for LPG to be resold in subsidized cylinders will be equal to such regulated retail price less 108% of our operating costs for distributing subsidized cylinders.

Under the LPG Supply Agreement, we have agreed to purchase butane, propane and LPG exclusively from ADNOC, and ADNOC undertakes not to compete with us in selling to any customer in the UAE without our consent, except for sales to Emarat, ENOC, customers purchasing more than 80,000 metric tonnes per annum of products, and customer to whom we have elected not to sell products. ADNOC has also undertaken not to sell on a spot basis to unaffiliated non-export customers in the UAE at prices lower than the prices it charges us.

**Base Oil Supply Agreement**

We purchase base oil used to produce lubricants and for resale to our Corporate division customers from ADNOC pursuant to an annual confirmation, the most recent of which is effective as of 1 October 2017, which incorporates ADNOC's general terms and conditions for sales of base oils. Under the terms of the Base Oil Supply Agreement, we have agreed to purchase from ADNOC, and ADNOC has agreed to sell to us, specified volumes of base oil at prices set forth in the Base Oil Supply Agreement, which are reviewed annually. The term of the Base Oil Supply Agreement is for an initial five-year period expiring on 31 December 2022 and will be extended automatically for subsequent five-year terms unless either party notifies the other of its intention not to renew at least 12 months prior to the then-effective expiration date.



**Transfer of Natural Gas Business**

In November 2017, we entered into a Business Transfer Agreement with ADNOC pursuant to which we have agreed to transfer to ADNOC all of the assets and operations relating to our natural gas business, which does not include those assets and operations located at our retail fuel service stations for the compression and sale of compressed natural gas (CNG) to operators of natural gas-powered vehicles, for consideration equal to AED 64.1 million (representing the net book value of the transferred assets), plus all operating costs and capital expenditure incurred by us in relation to the natural gas business between signing and closing, less (i) all customer receipts received by or on our behalf in relation to the natural gas business between signing and closing, and (ii) an amount equal to all duties and liabilities incurred by us in connection with the employment of the employees to transfer with the natural gas business prior to closing. This transaction is expected to close in mid-2018.

In connection with the Business Transfer Agreement, we also entered into a Natural Gas Supply Agreement, pursuant to which we will purchase natural gas from ADNOC for sale as CNG at our retail fuel service stations. Under the terms of the Natural Gas Supply Agreement, we have agreed to purchase from ADNOC, and ADNOC has agreed to sell to us, specified volumes of natural gas, which we may only resell at our retail fuel service stations, as part of our business selling CNG to natural-gas powered vehicles, or back to ADNOC. The term of the Natural Gas Supply Agreement is for an initial period expiring five years after the effective date (10 October 2017) and will be extended automatically for subsequent five-year terms unless either party notifies the other of its intention not to renew at l least 12 months prior to the then-effective expiration date.

Upon the closing of the transfer of the natural gas business, we will enter into a Natural Gas Support Services Agreement, pursuant to which we will provide certain support services to assist ADNOC in operating the natural gas distribution business, including services related to marketing and communication, internal audit, information technology, finance, human resources, procurement and legal, for a one-year period unless extended by agreement of us and ADNOC; and a CNG Sales and Transportation Services Agreement, pursuant to which we will, if requested by ADNOC, sell CNG back to ADNOC and provide related transportation services under certain circumstances.

**Real Property Transfer Liability and Leaseback Agreement**

In order to continue to comply with property ownership laws in the UAE following our IPO, our real property portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure we have continued access to our properties, we entered into Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC agreed to lease all real estate transferred to it back to us on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by us at least one year prior to then-effective expiration date. Under the terms of the agreements, we will indemnify ADNOC for any environmental liabilities relating to our operations on the properties.

**Brand Usage Agreement**

We entered into a Brand Usage Agreement with ADNOC pursuant to which ADNOC has granted to us a non-exclusive license to use certain of ADNOC's trademarks and logos in Africa, Europe, the GCC, and any other countries or territories as may be agreed by us and ADNOC in writing from time to time in connection with (a) the operation of fuel service stations, (b) the manufacture, sale, storage, marketing and distribution of petroleum products, including engine oils, bitumen and other petroleum by-products, (c) other goods and services related to the foregoing, including lubricants, car washing services, merchandise and sponsorships, and (d) any other activities that we currently are engaged in or that may be otherwise required for our operations from time to time. The license granted under the Brand Usage Agreement is royalty-free for the first four years. Thereafter, we will pay ADNOC a license fee in an amount to be agreed between us and ADNOC. Subject to the restrictions set forth in the Relationship Agreement, the Parent may terminate the Brand Usage Agreement upon twelve months' notice, including if the parties are unable to agree on the license fee payable after the first four years.

## Transactions with Related Parties continued

### Civil Aviation Supply Carve-out

We entered into an Aviation Sales Transfer Agreement with ADNOC in September 2017, pursuant to which we have transferred all contracts for the sale and supply of jet fuel to the civil aviation sector, and related receivables and jet fuel inventories (other than any Jet A-1 held at our Al Dhafra Terminal), to ADNOC effective as at 30 September 2017, while related personnel have remained our employees. ADNOC has compensated us based on the net book value of the receivables and inventory and, on the effective date, ADNOC became responsible to perform all obligations under the transferred contracts, assumed all related liabilities, and agreed to indemnify us from any liabilities related thereto.

We also entered into an Aviation Services Agreement with ADNOC to provide ADNOC with services to operate its civil aviation supply business and to provide operations and maintenance services in respect of certain assets related to the civil aviation supply business. Pursuant to the Aviation Services Agreement, ADNOC may request us to perform certain services relating to the transportation and delivery of fuel to its civil aviation customers, which we may perform ourselves or procure third-party service providers to perform. These services are expected to include sales and marketing, operations and supply chain management, quality control, fuel transportation, and aviation refuelling services. For providing services under the Aviation Services Agreement, ADNOC has agreed to compensate us in an amount equal to our operating expenses incurred in connection therewith (including any related taxes or other charges) plus 8% of such amount, and to reimburse us for the costs of any third-party service providers. During the term of the Aviation Services Agreement, we have agreed that we will not own or engage in a civil aviation supply business that competes with ADNOC's civil aviation supply business. The Aviation Services Agreement has an initial term expiring on 31 December 2022, with successive five-year renewal periods unless any party provides at least 12-months' notice of its intent not to renew.

### ADNOC Refining Perimeter Reorganization

On 30 September 2017, we entered into an ADNOC Refining Asset Purchase Agreement with ADNOC Refining and AssetCo, both of which are subsidiaries of ADNOC, pursuant to which ADNOC Refining has transferred certain assets to us or, to the extent such assets have been built at specifications and capacities that exceed our needs, to AssetCo. These assets comprise certain storage, pipeline and other fuel terminal and distribution assets that ADNOC Refining had constructed primarily for our benefit.

The assets that were transferred to us had historically been operated and maintained by us. In consideration of the transfer of assets that are being transferred to us, we paid ADNOC Refining approximately AED 696.2 million, representing the net book value of such assets. On the fifth anniversary of such transfer, we will discuss with the AssetCo the potential acquisition of its assets, subject to agreement on pricing and other terms.

We also entered into an AssetCo O&M Agreement with AssetCo on 30 September 2017 pursuant to which we provide operations and maintenance services in respect of those assets that were transferred to AssetCo under the ADNOC Refining Asset Sale Agreement and that historically had been operated and maintained by us. Certain other assets that were transferred to AssetCo under the ADNOC Refining Asset Sale Agreement historically had been and will continue to be operated and maintained by ADNOC Refining, for which ADNOC Refining will be compensated by AssetCo. In addition, the AssetCo O&M Agreement grants us the right to use these assets in connection with our fuel distribution operations. For providing services under the AssetCo O&M Agreement, AssetCo has agreed to compensate us in an amount equal to our operating expenses incurred in connection therewith (including any related taxes or other charges) plus 8% of such amount, and to reimburse us for the amount of any required capital expenditures. Amounts due to us by AssetCo are offset by amounts we owe AssetCo for utilisation of the assets transferred to AssetCo. The AssetCo O&M Agreement has an initial term expiring on 31 December 2022, with successive five-year renewal periods unless we provide at least 12-months' notice of our intent not to renew.

### Shareholder Services Agreement

We have entered into a Shareholder Services Agreement with ADNOC pursuant to which ADNOC will provide us with certain administrative and other support in the areas of treasury, accounting, finance, tax, legal and compliance support, corporate governance, HR, logistics, information technology, procurement, insurance, risk management, record keeping, reporting and general and administrative services to the extent we determine based on our business requirements. Pursuant to the terms of the Shareholder Services Agreement, we and ADNOC will negotiate the cost, including the cost of third-party service providers, for the provision of such services, provided that ADNOC will not charge us for the provision of such services, other than the actual cost of third-party service providers and allocated costs of group insurance, for the initial four-year term of the agreement. The Shareholder Services Agreement has an initial four-year term and thereafter may be extended by agreement of us and ADNOC.

## Other Significant Corporate Governance and Compliance Policies

### Anti-Bribery and Corruption Policy

We are committed to doing business lawfully, ethically and with integrity, and we expect all of our employees and representatives to act accordingly. Consistent with this commitment, we take a zero tolerance approach to fraud, bribery and all other forms of corruption. Our Anti-Bribery and Corruption Policy sets forth our requirements to ensure that none of our employees or representatives engages in any of these activities.

### Compliance Investigations Policy

Our commitment to operating with integrity includes investigating, where necessary, allegations of ethical misconduct. Our Compliance Investigations Policy and supporting procedures set forth our approach to investigations relating to alleged violations of (i) ethical business practices; (ii) integrity in our interactions and arrangements with third parties; and (iii) applicable laws, regulations, policies and procedures relating to ethical business practices and integrity. The policy requires all of our personnel to cooperate fully and truthfully with all investigations and to avoid engaging in certain activities that may hinder or interfere with an investigation.

### Conflicts of Interest Policy

We understand that our employees will engage in legitimate social, financial and business activities outside the scope of their work for us. Our Conflicts of Interest Policy sets forth our requirements for the avoidance and management of conflicts of interest that may arise as a result of these other activities, including the avoidance of situations that merely risk the appearance of a conflict of interest. Under the policy, employees must promptly disclose conflicts of interest to his or her manager and to a compliance team, who will determine the appropriate course of action to protect the Company's interests.

### Whistleblowing Policy

Having an open, honest and transparent culture supports our commitment to integrity. Our Whistleblowing Policy encourages our employees to report concerns about unethical behavior in connection with our business by assuring confidentiality and by protecting good faith whistleblowers from retaliation, even if they are mistaken.

## Dividends

Consistent with the dividend policy we announced at the time of the IPO, our Board of Directors will recommend that our shareholders approve payment of a special dividend in an aggregate amount of AED 735 million. This recommendation will be presented to shareholders at our Annual General Meeting to be held on April 8, 2018 and, if approved, will be paid shortly thereafter. In making recommendations to our shareholders regarding the payment of dividends, our Board of Directors considers the cash management requirements of our business for operating expenses, interest expense, and anticipated capital expenditures. In addition, the Board also considers market conditions, the operating environment in our markets, and the Board's outlook for our business. Any level or payment of dividends will depend on, among other things, future profits and the Company's business plan, at the discretion of the Board and subject to approval by our shareholders at a general assembly.

## Independent Auditor

Deloitte & Touche, with its 225,000 professionals, enjoys a globally connected network of member firms in more than 150 countries where it provides audit, consulting, financial advisory, enterprise risk, tax, and other services. Deloitte & Touche operates in the UAE through Deloitte & Touche (M.E.), part of Deloitte Touche Tohmatsu Limited. Deloitte & Touche (M.E.) is the first company providing professional services in the Middle East region, and currently has more than 3,500 staff working in over 26 offices in 15 countries in the Middle East.

In the UAE, Deloitte & Touche (M.E.) is a full service firm and has well developed practices serving leading enterprises and institutions in oil and gas, telecommunications, insurance, banking, construction, public sector activities, trading, manufacturing, and other industries. Deloitte & Touche (M.E.) has over 1,000 professionals based in five practice offices in the UAE.

Deloitte & Touche (M.E.) has been our independent auditor since 2014.

In 2017, we paid Deloitte & Touche (M.E.) AED 863,155 for audit services, and AED 3,778,793 for other services, comprising primarily services related to our IPO.

No other external audit services were engaged by the Company during 2017.

## Internal Controls

Although the Board of Directors is ultimately is accountable for the internal control system within the Company, the Board has approved governance functions and structures, including an internal audit function that is independent of our management and reports directly to the Audit Committee of the Board, to attain the goal of effectively undertaking the internal control functions and to assure the efficiency and effectiveness of internal control aspects within the Company.

Our Internal Audit Division, led by Mr. Mohamed Salum Saleh, our Vice President, Internal Audit Division, has established and maintains an internal control framework that provides management, the Audit Committee, and the Board with reliable assurances on the health of controls to meet the operational and financial objectives of the Company, manage risks and ensure the validity of financial reports, and comply with applicable laws and regulations. The objective of the Internal Audit Division is to maintain a central repository of risk information, assist us in implementing and monitoring risk mitigation strategies, and perform the compliance function. The Internal Audit Division also provides independent and objective assurance and services that are designed to add value and improve the operations of our Company. The Internal Audit Division addresses key issues of risk identified in our annual report and financial accounts by overseeing the establishment and implementation of remediation and action plans for all key risk and compliance breaches and performs follow-up reviews and assessments to assure that appropriate remediation actions have been taken.

In connection with our IPO, the compliance function became the responsibility of our Office of General Counsel. Currently, Mr. Yandri Hendarta, our Senior Legal Advisor, under the supervision of Mr. Ian Blumenstein, our General Counsel.



## Corporate Social Responsibility

We want our presence in the community to benefit our people and wider society. We are meeting this goal through job creation, support for development initiatives, and providing opportunities for local suppliers.

We listen, respond and collaborate with our customers and the communities we serve. We have set up formal grievance channels and use a variety of techniques to engage with these key target audiences, ranging from site visits, workshops and meetings, to distributing literature.

Customers can register a complaint at any time with our Customer Interaction Center, which we can then verify and investigate. Corrective action is taken to ensure that complaints are quickly addressed and any adverse effects are mitigated.

We conduct regular surveys and utilize mystery shoppers and customer interaction calls to capture customers' expectations and priorities.

**Supporting social development**

Our position as the UAE's largest fuel supplier commits us to periodic assessments of our community's needs and expectations. We aim to provide our communities with an ever greater range and higher quality of services. We also contribute to social investment and community development programs. Our 2017 social development initiatives included the following:

*Holy Month of Ramadan* – Our 2017 Ramadan activities focused on promoting charitable and socially responsible initiatives. These included improved road safety, help for community support institutions, campaigns centered on the breaking of the fast (Iftar) campaigns, and other activities designed to heighten community awareness and sharing.

Our "Sweet Reminder, Safe Ramadan" campaign provided water and dates at 50 of our service stations on UAE highways, and reminded drivers to abide by traffic rules and regulations while breaking their fast (Iftar) so they reached their destinations safely. We also are a strategic partner of the Khalifa Bin Zayed Al Nahyan Foundation, which supplied 1.7 million meals during the Ramadan fasting project.

We also supported the work of the Foundation by providing at least 8,000 LPG cylinders at nominal prices for families supported to supply the meals. Other UAE civil charities also received our support, such as the charity organizations run by the Ajman and Maliah Sports Clubs, and the distribution of meals in service stations in Ajman and Fujairah for customers breaking their fast.

In the final days of 2017's Holy Month, we organized the eighth Umrah trip in cooperation with the Khorfakkan Club for the Disabled to allow five "people of determination" to perform Umrah rituals during Ramadan.

*Improving traffic safety* – We played a leading role in supporting the 2017 GCC Traffic Week, the 33rd edition of the annual GCC Traffic Week run under a theme of "Your Life is Trust". Through our nationwide service station network, we helped raise awareness of the importance of adhering to speed limits, avoiding the use of mobile phones behind the wheel, driving with a seat belt, and not parking in spots designated for people with special needs. Our service stations also took part in the "Your life is more important" campaign, organized by the UAE Ministry of Interior, which sought to raise awareness of the importance of road safety and responsible driving.

*Supporting charitable fundraising campaigns* – We supported a range of charity fundraising campaigns in the UAE, based on local community donations offered through our ADNOC Oasis convenience stores. The latest initiative is the provision of aid boxes from the UAE Red Crescent and Ajman Charity, made available during the Holy Month of Ramadan.

*Growing In-Country Value* – ADNOC's In-Country Value Strategy aims to further strengthen collaboration with the UAE's private sector by nurturing new partnerships and opportunities, catalyzing socio-economic growth, improving knowledge transfer, and creating private sector jobs for UAE nationals to drive Emiratization. The strategy also encourages international companies to collaborate more closely with local small- and medium-sized enterprises to increase their in-country value contribution. In parallel, the strategy will also help improve the competitiveness of local companies by driving their performance, efficiency and quality of services.

*Emiratization* – Developing our human capital is a strategic priority, as part of our commitment to achieving the Emiratization objectives outlined in the UAE Vision 2021.

Our national employees are a great asset to the Company. We offer them targeted development opportunities to help them reach their full potential as competent and well-informed industry professionals. UAE nationals are appointed as trainees within various departments of the company so they can successfully complete their career development programs.

As of 31 December 2017, our Emiratization rate was 73.1% of positions subject to Emiratization (Emiratizable positions).

## General Information

We completed our IPO on 13 December 2017. The following table sets forth the closing price and the highest and lowest share prices during December 2017.

| | | | | Daily volume (number of shares) | | |
|---|---|---|---|---|---|---|
| 2017 | Initial listing 13/12/2017 | Last trading day 2017 | % change | Average (12 days trading) | High 13/12/2017 | Low 24/12/2017 |
| Share price (AED) | 2.50 | 2.65 | 6.0% | 10,099,871 | 45,577,156 | 1,312,643 |
| ADX General Index | 4,384.36 | 4,398.44 | 0.3% | | | |
| Number of shares outstanding (bn) | 12.5 | 12.5 | | | | |
| Market capitalization (AED bn) | 31.3 | 33.1 | | | | |
| Market capitalization (USD bn) | 8.5 | 9.0 | | | | |

Set forth below is information regarding our share performance in 2017 compared to the ADX General Index and the Energy Sector Index.

| 2017 | Initial listing (13/12/2017) | Last price 2017 (28 /12/2017) | % Change |
|---|---|---|---|
| ADNOC Distribution (AED) | 2.50 | 2.65 | 6.00% |
| ADX General Index | 4,384.36 | 4,398.44 | 0.32% |
| Energy Index | 1,420.37 | 1,443.48 | 1.63% |

The following tables set forth information regarding the ownership of our shares:

**Shareholding Structure**

The below table shows the percentage of the shares owned by different categories of shareholders as at the end of 2017:

| Shareholders | Individuals | Government | Corporate | Total |
|---|---|---|---|---|
| UAE | 1.21% | 1.09% | 94.09% | 96.39% |
| GCC | 0.13% | 0.00% | 0.25% | 0.38% |
| Arab | 0.11% | 0.00% | 0.00% | 0.11% |
| Foreign | 0.11% | 0.00% | 3.02% | 3.12% |
| **Grand Total** | **1.55%** | **1.09%** | **97.36%** | **100.00%** |

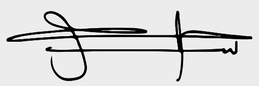
**Shareholding Volume**

The below table shows the shareholding percentage against the share capital in 2017:

| Class | Share holding | Number of shareholders | Number of shares | Shareholding percentage against the share capital |
|---|---|---|---|---|
| 1 | Less than 50,000 shares | 11,165 | 31,723,777 | 0.25% |
| 2 | 50,000 to less than 500,000 shares | 374 | 59,820,208 | 0.48% |
| 3 | 500,000 to less than 5,000,000 shares | 94 | 144,252,416 | 1.15% |
| 4 | 5,000,000 shares and above | 45 | 12,264,203,599 | 98.11% |
| **Total** | | **11,678** | **12,500,000,000** | **100.00%** |

ADNOC owns 90% of our shares. No other shareholder owns 5% or more of our shares.

Our Investor Relations department, which is overseen by Mr. Ahmed Al Shamisi, reporting to Mr. Petri Pentti, our Chief Financial Officer, can be contacted at IR@adnocdistribution.ae. Additional investor relations information can be found on our website in Arabic at adnocdistribution.ae/ar/investor-relations/ and in English at adnocdistribution.ae/en/investor-relations/.



**Dr. Sultan Ahmed Al Jaber**
Chairman of the Board of Directors



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