

Corporate Governance

Agthia is committed to maintaining the highest standards of business conduct and corporate governance, which we believe are essential to running our business efficiently, driving sustained shareholder value, and maintaining Agthia's integrity in the marketplace. Our Board of Directors and management recognize the importance of corporate governance practices that help ensure an environment of effective oversight and strong accountability.

Agthia Group (the Group) complies with the requirements of the "Chairman of Authority's Board of Directors" Resolution No. 7 of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies' (Resolution 7). This report gives an overview of the Group's corporate governance systems and procedures as of December 31, 2016 and has been filed with Securities and Commodities Authority (SCA), and posted

on the Abu Dhabi Exchange (ADX) website and the Group's website.

The Board is fully committed to consistently protecting the interests of all shareholders through the application of high standards of corporate governance. As an acknowledgment of our strong governance principles and structures, Capital Finance International (CFI), United Kingdom, ranked Agthia as the 2016 Corporate Governance winner in the United Arab Emirates for the third year in a row.

- Dividend Distribution Policy to define the Group's position on appropriation of profit and declaration/distribution of dividend.
- Risk Management Policy to promote adequate and consistent risk management practices as well as a structured process for identifying, assessing, prioritizing, managing, and reporting material risks across the Group.
- Business Continuity Management Policy to implement a Business Continuity Management System, compliant with international and local standards, to improve the overall business resilience of the Group.
- Information Security Policy to underscore Agthia's commitment and support towards the management of information security at Agthia.
- Whistleblowing Policy to provide employees a mechanism to confidentially report any violations of the Code of Business Conduct, internal policies and procedures, or applicable laws and regulations.

Group Governance Structure



Dealing in Company Securities

None of the Board Members or their direct family members has traded in the Company's shares during 2016.

The Board of Directors

The Board of Directors' role is to represent the shareholders and be accountable to them for creating and delivering sustainable value through the effective governance of the business. It is the Board's responsibility to ensure that effective management is in place to implement the Group's strategy.

The Board is the primary decision-making body for all matters that are considered to be material to the Group. The Board has a rolling agenda to ensure that the key areas remain in focus throughout the year.

Board Structure and Composition

The present Board of Directors was elected at the Annual General Meeting held on April 28, 2014 for a term of three years. The Board currently has seven members, comprising an Independent Non-Executive Chairman and six Independent Non-Executive Directors.

The Group supports the inclusion and participation of women in business and believes that diversity contributes to the quality and effectiveness of Board decisions. Our shareholders also support such measures and have demonstrated their commitment to diversity in their nominations. We are proud to have female representation of 14.3 percent, with one female member on the Board.

Implementation of Corporate Governance Principles

Effectively applied corporate governance guidelines are the foundation of business integrity, and support management's commitment to deliver value to shareholders through sustainable business results. The Group maintains high levels of transparency, accountability, which includes adopting and monitoring appropriate corporate strategies, objectives, and procedures that comply with its legal and ethical responsibilities.

The Group's Corporate Governance Manual is currently being updated and reviewed by the Board to reflect the requirements of Resolution 7. It determines the structures and processes by which the Group is controlled through its Board and the guiding governance principles followed by the Group. The manual clarifies the roles and responsibilities of all stakeholders involved in governance processes, including the General Assembly of Shareholders, the Board of Directors including the Chairman of the Board and Board Committees, the Chief Executive Officer, the Executive Management, relevant Management Committees, Internal Audit, External Audit, Company Secretary, and other stakeholders.

The Board has established and approved several Group policies and guidelines for achieving robust corporate governance standards. Following are the pertinent policies in this regard:

- Code of Business Conduct to guide the conduct of Directors and Employees and prevent any influence on the employees' independence and objectivity, addressing matters such as conflict of interest and integrity, gifts, and confidentiality.
- An appropriate delegation of authority to ensure efficient and effective decision making which balances empowerment against controls.
- Investor Relations Policy to inform shareholders and stakeholders of how the Group intends to keep them aware of material developments, as well as to provide a framework of processes upon which Agthia can successfully implement its Investor Relations Program.
- Trading in Group Shares Policy to ensure that Directors and Employees do not make improper use of price-sensitive information, gained through their positions in the Group.

The Board ensures, on an ongoing basis, that Directors possess the required skills, knowledge, and experience necessary to fulfill their obligations. Composition of the current Board of Directors:

Board of Directors:

HE Eng Dhafer Ayed Al Ahbabi

Chairman

Non-Executive, Independent

Director since: April 2014

Qualifications:

Bachelor in Chemical and Petroleum Engineering

Current Positions:

Advisor, Senaat General Holding Corporation
Chairman, Al Foah

Chairman, Industrialist Union Society, UAE

Member of the Board of Trustees, Institute of Applied Technology

HE Rashed Hamad Al Dhaheri

Vice Chairman

Non-Executive, Independent

Director since: April 2014

Qualifications:

Bachelor of Arts (Economics) (USA)

Current Positions:

Deputy Director, Indexed Funds Department, Abu Dhabi Investment Authority

Board Member, LA Holdings (Luxembourg) S.A.

HE Mohamed Saif Al Suwaidi

Member

Non-Executive, Independent

Director since: April 2014

Qualifications:

Bachelor of Science in Business Administration (USA)

Current Positions:

Director General, Abu Dhabi Fund for Development

Chairman, Al Ain Farms for Livestock Production

Vice Chairman, Arab Bank for Investment and Foreign Trade

Board Member, First Gulf Bank PJSC

Board Member, Raysut Cement Company SAOG

Board Member, DP World

Board Member, Compañía Española de Petróleos (CEPSA)

Board Member, Emirates Red Crescent

Board Member, Food Security Center, Abu Dhabi

HE Khamis Mohamed Buharoon Al Shamsi
Member

Non-Executive, Independent

Director since: April 2014

Qualifications:

Bachelor in Accounting and Business Administration

Current Positions:

Chairman, Abu Dhabi National Takaful Co. PSC

Chairman, Abu Dhabi Security LLC

Board Member, Abu Dhabi Islamic Bank

Board Member, Etihad Capital PJSC

Board Member, Awad Capital Ltd.

Board Member, Naeem Holding Company, Egypt

HE Salem Sultan Al Dhaheri

Member

Non-Executive, Independent

Director since: June 30, 2015

Qualifications:

Certified Public Accountant

Current Positions:

Deputy Director - Internal Audit, Abu Dhabi Investment Authority

Board Member, Abu Dhabi National Energy Company PJSC (TAQA)

Board Member, Al Etihad Credit Bureau

Board Member, Senaat General Holding Corporation

Board Member, Al Hilal Bank

HE Saif Saeed Ghobash

Member

Non-Executive, Independent

Director since: April 2014

Qualifications:

Executive Master of Business Administration
Bachelor of Science in Economics (USA)

Current Positions:

Director General, Abu Dhabi Tourism and Cultural Authority

Board Member, Emirates Palace Company

Board Member, Abu Dhabi Motorsports Management

Board Member, Abu Dhabi National Exhibition Centre

Board Member, Al Dhafra Insurance Company PSC

HE Amna Obaid Al Zaabi

Member

Non-Executive, Independent

Director since: April 2014

Qualifications:

Bachelor of Science in Business (major in Finance) (UAE)

Current Position:

Manager, Portfolio Management, Senaat General Holding Corporation

Directors' Fees and Remuneration

Remuneration of the Group's Board of Directors is determined in accordance with the provisions of the Group's Articles of Association. The Directors' fee is a fixed fee and is not linked to meeting attendance. Directors' fees of AED 1.4 million relating to 2015 were approved at the General Assembly held in 2016, and thereafter paid in 2016.

Total Directors' fees of AED 1.4 million relating to 2016, towards Board of Directors', Audit, and Nomination & Remuneration Committee Members' fees, are to be paid in 2017 subject to shareholder approval. No bonus was proposed for the Directors relating to 2016.

Board/Board Committee Member	Board Committee Membership	Board Directors' fees in AED	Number of Board meetings attended	Committee Members' fees in AED	Number of Committee meetings attended
HE Eng Dhafer Ayed Al Ahbabi – Chairman	–	150,000	6	0	0
HE Rashed Hamad Al Dhaheri – Vice-Chairman	Audit Committee	150,000	5	50,000	4
HE Mohamed Saif Al Suwaidi	Nomination & Remuneration Committee	150,000	4	50,000	4
HE Khamis Mohamed Buharoon Al Shamsi	Nomination & Remuneration Committee	150,000	6	50,000	4
HE Salem Sultan Al Dhaheri	Audit Committee	150,000	6	50,000	6
HE Saif Saeed Ghobash	Nomination & Remuneration Committee	150,000	5	50,000	3
HE Amna Obaid Al Zaabi	Audit Committee	150,000	6	50,000	6
Mr. Osama Al Sheleh*	Audit Committee	0	–	50,000	4

* Mr. Osama Al Sheleh is a fourth member of the Audit Committee with relevant financial and accounting expertise and not a Board member.



Corporate Governance (continued)

Board Meetings

During 2016, six Board of Directors meetings were held.

Board Member	17-Feb	28-Feb	24-Mar	08-May	31-Jul	01-Nov
HE Eng Dhafer Ayed Al Ahbabi – Chairman	P	P	P	P	P (By Proxy)	P
HE Rashed Hamad Al Dhaheri – Vice Chairman	P	A	P	P	P	P
HE Mohamed Saif Al Suwaidi	A	P	P	P	A	P
HE Khamis Mohamed Buharoon Al Shamsi	P	P	P	P	P (By Phone)	P
HE Saif Saeed Ghobash	P (By Proxy)	P	P	A	P (By Proxy)	P (By Proxy)
HE Salem Sultan Al Dhaheri	P	P	P	P	P	P
HE Amna Obaid Al Zaabi	P	P	P	P	P	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Board Effectiveness Evaluation

An evaluation to assess the performance of the Board as a whole, its committees, and that of the individual directors is conducted annually, with the aim of improving the effectiveness of the Board, its members and committees, and the performance of the Group.

Company Secretary

The Company Secretary is the focal point for communication with the Board of Directors and senior management, and plays a key role in the administration of important corporate governance matters. Our Company Secretary, Mr. Namir El Aridi, was appointed by the Board and reports to the Board in relation to secretarial responsibilities. He is also the Group's Vice President, Legal Affairs, and has the following qualifications:

Qualifications:

Bachelor of Laws (LLB)

Certificate in Board Secretarial Practice

Board Committees

The Board has established two Board Committees to assist the Board in discharging its responsibilities. The Committees operate in line with their respective charters approved by the Board. The charters set out their roles, responsibilities, scope of authority, composition, and procedures for reporting to the Board.

Nomination and Bonuses Committee

The Nomination and Bonuses Committee is responsible for the review of the Group's HR framework and compensation programs. The Committee makes recommendations to the Board on the remuneration, allowances, and terms of service of the Group's senior executives to ensure they are fairly rewarded for their individual contribution to the Group. All the three Committee members are Independent Non-Executive Directors of the Board.

Roles and Responsibilities

The key objective of the Nomination and Bonuses Committee is to assist the Board in fulfilling its responsibilities regarding the following:

- Organizing and follow-up of the nomination procedure related to the Board of Directors' election and membership.
- Ensuring that Independent Non-Executive Directors remain independent on a continuous basis and at all times.
- Reviewing the potential for conflicts of interest and judgment, and that there are appropriate safeguards against such conflicts.
- Formulation and annual review of remuneration, benefits, incentives of the CEO and senior executives, and that the remuneration and benefits given to senior management are reasonable and in line with the Group's performance.
- Consideration and putting forward for Board approval proposals on remuneration adjustments, performance bonus, long-term incentives etc.
- Driving the performance-based remuneration culture within the Group through annual performance review of the Group's senior executives and succession planning.
- Determination of the Group's needs for qualified staff at the level of senior executives and the basis of selection.
- Reviewing the remuneration policy and training policy to encourage development and growth of female employees in the Group.
- Reporting to the Board on matters that in the Committee's opinion require action or improvement, and providing recommendations.
- While it is the Committee's responsibility to exercise independent judgment, it does request advice from management and third-party independent sources as appropriate, to ensure that its decisions are fully informed given the internal and external environment.

During the year, four Nomination and Bonuses Committee meetings were held:

Nomination and Bonuses Committee Member	28 Feb	24 Mar	08 May	01 Nov
HE Mohamed Saif Al Suwaidi – Chairman	P	P	P	P
HE Khamis Mohamed Buharoon Al Shamsi	P	P	P	P
HE Saif Saeed Ghobash	P	P	A	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Total fee for the year 2016 is AED 0.15 million (2015: AED 0.15 million).

Audit Committee

The Audit Committee, appointed by the Board of Directors, consisted of four members. Three members were Independent Non-Executive Directors, and the Committee included a fourth member with relevant financial and accounting expertise.

Roles and Responsibilities

The Audit Committee maintains free and open communication between the external auditors, internal auditors, and senior management. The responsibilities of the Audit Committee include:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, as well as reviewing significant financial reporting judgments that they contain.
- Reviewing the Group's internal controls, risk management, and compliance with the relevant regulations.
- Establishing, monitoring, and reviewing the effectiveness of the Group's Internal Control department, systems, and processes.
- Making recommendations to the Board in relation to the appointment, reappointment, resignation, discharge, and remuneration of the external auditor and ensuring a timely response by the Board on the matters contained in the external auditor's letter.
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- Developing and implementing guidelines on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- Reporting to the Board on matters that in the Committee's opinion require action or improvement, and providing recommendations on the necessary steps required to achieve such improvement.

- Reviewing the whistle-blower system whereby employees can anonymously notify their doubts on potential abnormalities in the financial report or internal controls or any other matter, and ensuring proper arrangements for independent and fair investigations of such matters.
- Reviewing any related party transactions and reviewing compliance with such rules for the conduct and approval of such transactions.
- Determining the appointment, compensation, benefits, performance appraisal, discipline, replacement, reassignment, or dismissal of the Head of Internal Control and Compliance as well as the Internal Control Department.

During 2016, six Audit Committee meetings were held:

Audit Committee Member	24 Jan	24 Feb	25 Apr	24 Jul	25 Oct	27 Nov
HE Rashed Hamad Al Dhaheri – Chairman	P	A	P	A	P	P
HE Amna Obaid Al Zaabi	P	P	P	P	P	P
HE Salem Sultan Obaid Al Dhaheri	P	P	P	P	P	P
Mr. Osama Al Shelah	P	P	P	A	P	A

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Total fee for the year 2016 is AED 0.20 million (2015: AED 0.20 million).

Conduct and Values Committee

The Conduct and Values Committee is appointed as a sub-committee of the Audit Committee by the Board of Directors to assist the Audit Committee to review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties including fraud, and to ensure that a process is in place for the independent investigation of such matters and for appropriate follow-up action. The Committee is entrusted by the Audit Committee with responsibilities for receiving, reviewing, assessing credibility of allegations, and investigating allegations.

The Committee Members Are:

- Head of Internal Control and Compliance (Chairman)
- Vice-President – Human Capital & OD
- Vice-President – Legal Affairs
- Director, Risk and Governance



Related Party Transactions

Note 24 of the Financial Statements provides details of related party transactions.

General Holding Corporation (Senaat) (holds 51% of Agthia Group PJSC Shares)

SENAAT	2016 AED'000	2015 AED'000
Directors' and Committee Members' fees paid	-	9
Other expenses	272	604
Total	272	613

Al Foah (fully owned subsidiary of Senaat)

Al Foah	2016 AED'000	2015 AED'000
Local purchases	15,108	8
Other expenses	2,097	102
Total	17,205	110

Emirates Iron & Steel Factory (fully owned subsidiary of Senaat)

Emirates Iron & Steel Factory (Emirates Steel)	2016 AED'000	2015 AED'000
Local sales	664	598

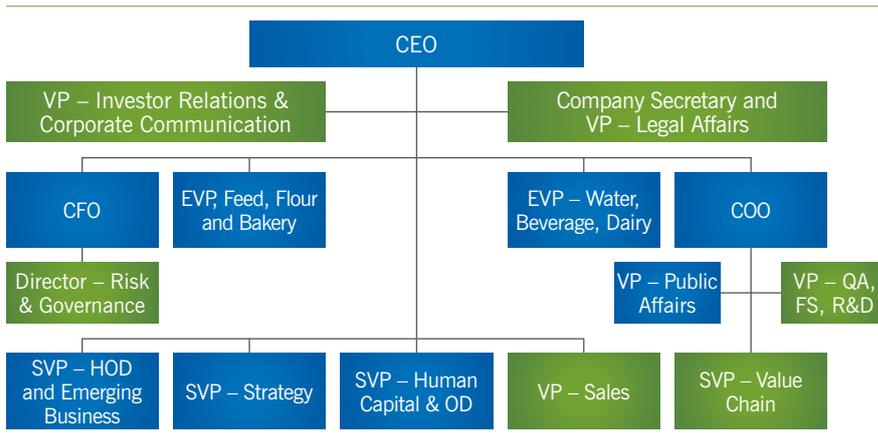
Dubai Cable Manufacturing Company (joint venture with Senaat owning 50%)

Dubai Cable Manufacturing Company (Ducab)	2016 AED'000	2015 AED'000
Local sales	177	155

Delegation of Authority

The Board is and shall remain responsible for the overall governance of the Group and for those matters that are reserved for the Board. The Board through a resolution provided the Chairman, powers and authorities on behalf of the Board with the right of delegation.

Organization Structure



■ Executive Committee Members

The Chairman, under Special Power of Attorney, delegated key authorities to the Vice Chairman and Acting CEO jointly, which is valid for three years until January 16, 2020.

Some of the key authorities delegated jointly to the Vice-Chairman and Acting CEO by the Board are as follows:

- To jointly manage the Company and its subsidiaries' operations;
- To represent and jointly manage the Company and its subsidiaries in all transactions and documents before the Government;
- To sign jointly all contracts and agreements on behalf of the Company inside and outside of the United Arab Emirates;
- To represent the Company jointly in any manufacturing and/or distribution deals;
- To represent the Company jointly before the banks for opening and closing accounts, applying for loans and financial facilities, and signing LCs, bank guarantees, and other bank documents.
- The Board has not delegated any special authority to the Vice-Chairman and Acting CEO in 2016.

In pursuance of the special powers and authorities delegated to the Vice Chairman and the Acting CEO, the Vice Chairman and the Acting CEO have delegated some of their decision making and approval authorities to the Management as specified in the Authority Matrix approved by Board. The Delegation of Authority framework and policy is established to define the limits of authority designated to specified positions of responsibility within the Group. The Authority Matrix ensures efficient and effective decision making which balances empowerment against controls.

Corporate Governance (continued)

Chief Executive Officer

The Chief Executive Officer (CEO) is appointed by the Board. The CEO is responsible for delivering sustained growth, and must direct the Group towards the achievement of its business objectives, as defined by the Board. The primary role of the CEO is to define and execute the business vision, mission, and strategy of the Group and to ensure that all operations are managed efficiently in terms of allocating resources appropriately and profitably.

Iqbal Hamzah was the Group CEO for the year ended 2016. On 11 January 2017, the Board accepted Iqbal Hamzah's resignation from his post as CEO and Tariq Al Wahedi

was appointed as acting CEO of the Group. Prior to his appointment, Tariq had been the Group's Chief Operating Officer, also leading the feed and flour business. Prior to joining Agthia, Tariq previously held the positions of Senior Vice President at Senaat and Abu Dhabi Basic Industries Corporation.

Tariq Ahmed Saeed Al Wahedi

Acting Chief Executive Officer
Date of joining: September 13, 2015

Qualifications:

Bachelor of Science in Petroleum Engineering (USA)
Executive Master of Business Administration (UK)

Below are the details of all the Senior Executives, illustrating their appointment dates, remuneration, and bonus for 2016.

Position	Appointment Date	Remuneration and Allowances paid in 2016 AED'000	Bonus for 2016 ¹ (estimate) AED'000	Remuneration accrued in future (estimate) ² AED'000
Chief Executive Officer ³	Sept 29, 2014	2,712	751	To be determined
Chief Operating Officer	Sept 13, 2015	2,425	349	To be determined
Chief Finance Officer ⁴	July 4, 2016	1,268	266	To be determined
Executive Vice-President – Water, Beverage, Dairy	April 15, 2014	1,770	331	To be determined
Executive Vice-President – Feed, Flour, Bakery	April 15, 2014	1,424	300	To be determined
Senior Vice-President – Human Capital & OD	April 15, 2014	1,266	158	To be determined
Senior Vice-President – HOD & Emerging Business	April 15, 2014	1,303	155	To be determined
Senior Vice-President – Strategy	Jan 6, 2016	1,094	124	To be determined
Vice-President – Public Affairs	April 15, 2014	1,280	123	To be determined

1 Payment for 2016 bonus is subject to shareholders' approval of the audited financial statements.

2 The total vested value of Long-Term Incentive Plan (LTI) accrued in 2016 is AED 4.33 million. The LTI benefits for the management are subject to Board approval and are linked to long-term business performance.

3 Represents remuneration of Iqbal Hamzah during his tenure as CEO in 2016.

4 On July 4, 2016, Fatih Yeldan was appointed Chief Financial Officer of the Group. Prior to this appointment, Fatih had been Acting Chief Financial Officer of the Group and Finance Director of Agri Business.

Executive Committee

The Executive Committee is composed of senior executives of the Group responsible for the management of the business, and meets on a regular basis. The committee members report to the CEO. The prime role of the Executive Committee is to review business performance, and organizational and operational matters; set strategies/initiatives and monitor their successful execution; and review key business KPIs, progress on key projects etc.



Insider Trading Management Committee

The Insider Trading Management Committee is appointed by the Board as a Management Committee to oversee and follow up on insiders' trading and their holdings. The Committee is entrusted by the Board with the following responsibilities:

- Ensuring that the reputation of the Group is not adversely impacted by perceptions of trading in the Group's securities at inappropriate times or in an inappropriate manner by employees of the Company.
- Evaluating where the employee or third party (such as the Group's auditors, bankers, lawyers or other professional advisors) may be classified as an insider who has direct or indirect access to "inside information" which may affect Group's share price and/or trading of Group's shares.

- Prepare and maintain a special and comprehensive register of all insiders, including Directors, Executive Management, and persons who could be considered as insiders on a temporary basis.
- Developing, reviewing, and continuously improving the Trading in Group Shares Policy including guidelines and procedures, and ensuring compliance with the policy and assessing any indicative non-compliance to the policy.
- Annual review of movement in insider shareholdings and report to the Board on compliance with the policy and regulatory requirements, highlighting any exception cases noted.
- Effective communication with ADX and SCA regarding black-out days, temporary suspension of trading, and insider trading.

The Committee members are:

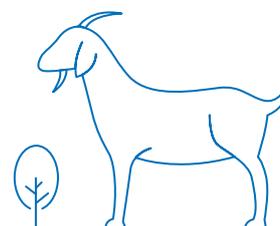
- Vice President, Corporate Finance;
- Vice President, Legal Affairs and Company Secretary;
- Director Risk and Governance; and
- Corporate Office Manager

Risk Management

Risk management is integral to Agthia's strategy and to the achievement of our long-term goals. The Board has established a risk and control structure designed to manage the achievement of strategic business objectives. In doing so, we take an embedded approach that places risk management at the core of the leadership team agenda, which is where we believe it should be.

The Board provides oversight of the Group's risk management strategy and has the overall responsibility for setting the Group's risk appetite. Risk appetite guides the Group in determining the nature and extent of risk it would ordinarily accept, while executing the business model for creating sustainable shareholder value.

The Group accepts and applies a moderate risk appetite as it seeks a balanced management of opportunities for sustained business growth, along with focused identification and exploitation of opportunities generated through its business. It is not the Group's strategy to seek accelerated growth by embracing choices with significant uncertainties.



The Audit Committee oversees compliance with risk management processes and the adequacy of risk management activities related to the Group's operations.

In addition, the Risk Management Committee reviews the risk appetite and overall risk strategy, and makes recommendations to the Board through the Audit Committee and actions required to ensure adequate controls/mitigating actions are in place against key identified risks.

The Group applies a structured and robust Enterprise Risk Management approach whereby the risk management process is implemented in defined steps: Identify, Assess, Prioritize, Mitigate, Monitor, and Report.

The Group has established a Risk and Governance Function separate from line management that enables and facilitates the risk management process across the Group. Wasif Syed Muhammad is the Director, Risk and Governance for the Group and has the following qualifications:

Qualifications:

Fellow Member, Institute of Chartered Accountants of Pakistan

Fellow Member, Association of Chartered Certified Accountants, UK

Member, Institute of Internal Auditors (IIA), USA

External Auditors

The Board nominates the Group's external auditors based on the recommendation of the Audit Committee. The appointment and remuneration of the external auditors is approved by the General Assembly of Shareholders.

At the General Assembly Meeting held on March 24, 2016, the shareholders re-appointed KPMG, one of the leading international audit firms, as the external auditors for the year 2016. KPMG is a multinational professional services firm headquartered in the Netherlands. It is one of the Big Four audit firms.

KPMG has been the only external auditor of the Company since their appointment at the General Assembly Meeting held on March 24, 2016.

Audit and non-audit related fees and costs of the services provided by the external auditors during 2016 were AED 797,940.

	AED
Year End – Audit	287,291
Quarter Review	402,942
Review of Subsidy	45,000
Other Non-Audit services*	62,707
Total	797,940

* other non-audit services mainly includes XBRL reporting

No other services of the external auditors were utilized during 2016.

Internal Control

The Group's system of internal control aims to ensure that the Board and management are able to fulfil the Group's business objectives. An effective internal control framework contributes to safeguarding the shareholders' investment and the Group's assets.

The objective of the Group's internal control framework is to ensure that internal controls are established; that policies and procedures are properly documented, maintained, and adhered to, and are incorporated by the Group within its normal management and governance processes.

The Group's operating policies and procedures are considered to be adequate and effective, while recognizing that such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating, and managing the risks faced by the Group. The management is responsible for identifying key risks and assessing their probable impact through formal defined processes.

The Board of Directors acknowledges its responsibility for the Group's internal control framework. The Board has delegated responsibility for oversight of the Internal Control Department (ICD) to the Audit Committee. The Head of Internal Control and Compliance is appointed by the Audit Committee. The Audit Committee reviews the effectiveness of ICD.

The objective of the function is to provide independent assurance and consulting services using a disciplined systematic approach to improve the effectiveness of risk management, internal control, compliance and governance process, and the integrity of the Group's operations. The function is also responsible for monitoring the compliance of the Group and its employees with the law, regulations, and resolutions, as well as internal policies and procedures. A Charter sets out the purpose, authority, and responsibility of the function.

Reports prepared by ICD are submitted to the Audit Committee and copied to the senior management of the Group for action. During the year, no significant internal control failures were identified. However, certain process-level improvements were identified and accepted for implementation towards the continuous improvement of internal controls of the Group. On an ongoing basis, the Audit Committee monitors the progress that management has made with respect to remedial actions taken on issues and findings raised by ICD.

On February 1, 2016, Anish Ulhas Mehta was appointed as the Acting Head of Internal Control and Compliance. He is also the Compliance Officer and has the following qualifications:

Qualifications:

Member, Institute of Internal Auditors (IIA)

Member, Institute of Internal Controls (IIC)

Master of Applied Finance and Banking, Australia

Bachelors of Commerce & Finance, Australia

Violations

During the year 2016, the Group was not subject to any material fines or penalties imposed by SCA or any statutory authority on any matter related to capital markets. Additionally, there have been no cases of material non-compliance with any applicable rules and regulations. No major incidents occurred in 2016.

Corporate Social Responsibility (CSR)

The Group's CSR program has four pillars: Health and Wellness, Food Safety and Food Security, People and Emiratization, and Environment. The total amount spent in 2016 on CSR initiatives was AED 1.46 million (2015: AED 2.36 million). The key initiatives or sponsorships related to community support are: Rashid Center for the Disabled and Zaheb initiative, aiming at developing workforce-readiness skills for 1500 Emirati youth in Abu Dhabi, in partnership with Injaz UAE.

Share Performance 2016

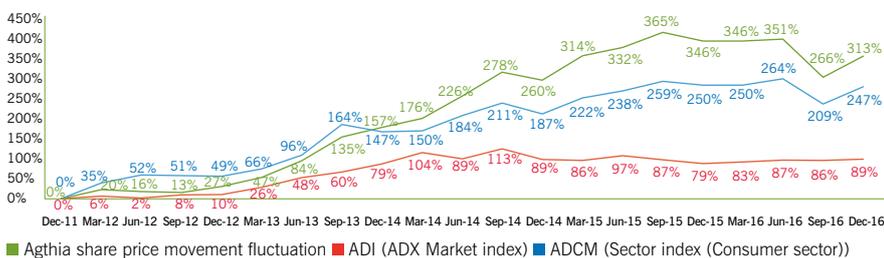
Month end share price (AED)

Month	Open	High	Low	Close
Jan-16	7	7.40	6.99	7.40
Feb-16	6.93	7.39	6.93	7.15
Mar-16	7.35	7.67	7.35	7.67
Apr-16	7.64	7.80	7.64	7.80
May-16	7.50	7.70	7.42	7.42
Jun-16	7.55	7.75	7.55	7.75
Jul-16	7.62	7.76	7.62	7.76
Aug-16	5.95	5.95	5.91	5.95
Sep-16	6.25	6.3	6.25	6.3
Oct-16	6	6.01	5.99	6
Nov-16	6.16	6.2	6.15	6.15
Dec-16	6.8	7.3	6.8	7.1



Share movement versus ADI and ADCM Index 2016

Base: December 31, 2011



Shareholder Category (number of shares)

As of December 31, 2016

Category	Government	Individuals	Institutional	Total	Percentage
UAE	342,880,837	109,641,559	67,617,531	520,139,927	86.7%
GCC	-	135,215	32,624,241	32,759,456	5.5%
Arabs	-	807,897	58,802	866,699	0.1%
Foreign	-	2,178,645	44,055,273	46,233,918	7.7%
Total	342,880,837	112,763,316	144,355,847	600,000,000	100.0%
Percentage	57.1%	18.8%	24.1%	100.0%	

Shareholders Owning 5% Or More

As of December 31, 2016

Shareholders	No. of shares	Percentage
General Holding Company	306,000,000	51.00%
Emirates International Investment Company L.L.C	33,361,799	5.60%
Abu Dhabi Retirement Pensions and Benefits Fund	30,000,000	5.00%

Distribution of Shareholders According to Size of Ownership

As of December 31, 2016

Share ownership	No. of shareholders	No. of shares owned	Percentage
Less than 50,000	71,727	99,893,543	17%
From 50,000 to less than 500,000	154	24,239,402	4%
From 500,000 to less than 5,000,000	53	66,269,267	11%
5,000,000 and more	8	409,597,788	68%
Total	71,942	600,000,000	100%

Investor Relations

The Board is committed to effective communication between the Group and its shareholders. The Group regularly announces its results to SCA, ADX, and shareholders by way of interim management statements, quarterly results, and the annual report and annual financial statements. Significant matters relating to share trading or business development are disclosed to SCA, ADX, and the general public by way of market disclosures and announcements in accordance with the related provisions of applicable laws and regulations, in addition to press releases and postings on the Group's website. The annual investor relations program of the Group includes:

- Quarterly conference calls on financial results with investment community;
- Responding to enquiries from shareholders through the Group's investor relations function;

- Meetings between investors, analysts, and senior management;
- Regular investor roadshows and conferences organized by investment community; and
- A section dedicated to investors on the Group's website, which comprises annual reports, quarterly results, corporate governance report, analyst coverage, investor presentations, share price, and dividend information (<http://www.agthia.com/en-us/Investor-home>)

Ozgur Serin is the Vice President, Investor Relations and Corporate Communications for the Group and has the following qualifications:

Qualifications:
 Certified Investor Relations Officer
 Bachelor of Science in Management

Shareholders and investors can utilize the following channels to reach Agthia's investors relations team:

Phone: +971 2 596 0600
 Email: ir@agthia.com

Resolutions Passed in General Assembly

The Company's annual General Assembly was held on March 24, 2016. The below resolutions were passed at the General Assembly, following which all the resolutions were implemented.

- Approved Board of Directors' Report on the Company's activities and financial position for 2015
- Approved Auditor's Report on the financial position for 2015
- Approved Balance Sheet and Profit and Loss account for 2015
- Approved Board of Directors' proposal for a cash dividend of 12.5%
- Discharged Directors from liability for 2015
- Discharged Auditors from liability for 2015
- Approved Directors' remuneration for 2015 of AED 1.4 million
- Appointed Auditors for 2016 and fixed their remuneration
- Appointed HE Salem Sultan Al Dhaheri as Board member to fill the casual vacancy that arose in 2015
- Approved amended Articles of Association pursuant to the provisions of Law no. 2 of 2015
- Approved authorized capital of AED 1 billion with a remaining issued and paid-up capital of AED 600 million

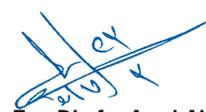
Significant Events in 2016

Acquisition of Water-Bottling Plant in Saudi Arabia

On November 13, 2016 Agthia Group signed a 100% purchase agreement for the shares in the water business of Delta Marketing Company, based in Jeddah, Kingdom of Saudi Arabia, producing bottled water. The transaction is expected to be completed in the first quarter of 2017, following regulatory approvals and other closing conditions. Delta's water business has been present in Saudi Arabia for three decades. The acquisition enables Agthia to enter the Saudi Arabia market for the first time through the bottled mineral water brand, reflecting the Group's strategy to expand in the GCC.

Agthia and Al Wafir to Build Water-Bottling Plant in Kuwait

On May 2, 2016 Agthia Group entered into a joint venture (as a 50:50-based partnership) with Kuwait's Al Wafir Marketing Services Company K.S.C.C., to establish a water-bottling plant in Kuwait. The plant is expected to commence operations by the second half of 2017 and will mainly produce water under Agthia's flagship brand "Al Ain".


Eng Dhafer Ayed Al Ahbabi
 Chairman
 March 23, 2017