RAK INSURANCE

Corporate Governance Report 2014

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Statement of the Company Corporate Governance developments as per the Ministerial Resolution No 518 for 2009

For five consecutive years RAK Insurance Company has placed significant importance on implementing Corporate Governance procedures within the Company in accordance with the governance principals and the rules specified in the Ministerial Resolution No 518 of 2009 concerning Governance Rules and Corporate Discipline Standards.

RAK Insurance is committed to ensure that all necessary means and precautions are in place so that all shareholders exercise their equal statutory rights without any discrimination in the accordance with the instructions of the Securities and Commodities Authority. The Board of Directors are devoted to the transparency practices of Corporate Governance as stipulated in the Ministerial Decree No. 23/r for the year 2007 as amended by the Ministerial Resolution No 518 of 2009 Concerning Governance Rules and Corporate Discipline Standards.

The Board of Directors have stabilised the mechanism of approval and publication of the final and interim financial statements at The ADX to inform shareholders and related parties, whereas all final and interim financial results shall be reviewed and discussed by the Audit Committee who shall make a recommendation to the Board of Directors for approval in order to be disclosed and published in the Abu Dhabi Securities Market.

The Nomination and Remuneration Committee has ensured the independence of independent members of the Board of Directors and assures or ascertains that no change has been made in their status. In addition to the Audit Committee and Nomination and Remuneration Committee, an Investment Committee was formed. The Investment Committee is a management committee which reports to the Board of Directors. The Board of Directors approved the Terms of Reference of the Investment Committee on 03 July 2013.

The Company has improved and updated the Code of Conduct which has been circulated to all employees for their review, acceptance and signature. The Company has modified the Whistleblower Policy which permits all employees to report any irregularities in financial reports or internal control reports or other matters. The Company through the internal control function identifies risk and severity while auditing the Company's departments. The Internal Control function in the course of the internal control report provides his recommendations for managing or mitigating those risks which are subsequently discussed with the Board of Directors and senior management.

The Company has introduced and adopted a wide range of policies and procedures related to a number of functional areas; such as, human resources, underwriting, claims, executive and finance. The Company also implemented a policy for Anti Money Laundering (AML) and Counter Terrorism Financing (CTF) based on the instructions of the Governing Council of the Insurance Authority No. 1of 2009 on the procedure for Anti-Money Laundering and Combating the Financing of Terrorism in Insurance Activities.

RAK Insurance is committed to provide the Company Corporate Governance Report for 2014 to all shareholders. The report is published on the Company Website and with dissemination means as disclosed with the authority of the Securities and Commodities and Abu Dhabi Securities and Commodities prior to the General Assembly Meeting providing sufficient time to enable shareholders to review its contents.

Statement dealing of the Board of Directors and their first degree relatives in the securities of the Company during the year 2014

The Company implements the rules and procedures adopted to regulate the dealings of its Board members, the Company employees and those familiar with the Securities and Commodities Authority issued by the Company or its parent Company or its affiliates or associates and allies, according to the provisions of Ministerial Resolution No 518 for the year 2009, and guidelines issued by the Securities and Commodities Authority and Abu Dhabi Securities Market.

Below are the dealings of the Father of Mr. Ahmed Salem Al Hosani, Board Member, in the Securities of the Company during the year 2014.

Date	The name of the buyer	The name of seller	Quantity
31/07/2014	Salem Abdullah Salem Al Hosani	Mohamed Hamid Mohamed Hamid Al Zaabi	18,849
10/08/2014	Salem Abdullah Salem Al Hosani	Faisal Mohamed Rashed Saeed Rashed Adham	211
20/08/2014	Salem Abdullah Salem Al Hosani	Saudi French Capital Company	1,800
26/08/2014	Salem Abdullah Salem Al Hosani	Sutlan Bi yahia bin Hasan Al Kahtani	2,000
25/09/2014	Salem Abdullah Salem Al Hosani	Saudi French Capital Company	7,140
25/09/2014	Salem Abdullah Salem Al Hosani	Saudi French Capital Company	2,860
30/09/2014	Salem Abdullah Salem Al Hosani	Khalifa Mohamed Khalifa Al Kendi	18,137

Board of Directors:

A) The structure of the Board of Directors

RAK Insurance has a very experienced, highly skilled and well-respected Board of Directors from a variety of business backgrounds. The Board members are engaged with the business practice, they know the business structure and the operational procedures. The Board meets regularly, at least six times per year (Article 24 – Articles of Association. In addition to these meetings, the Board may convene whenever the need arises upon the invitation of the Chairman, the Vice Chairman in the absence of the Chairman, by three of its Directors. A meeting can only be held if the majority of members are in attendance. The Board of Directors consists of five (5 members whose names are listed below. Three of the members are independent, and two members are non- independent and non-executive. The current Board of Directors shall hold office till the year 2017.

The Chairman of the Board and the majority of the Directors must be of UAE nationality. Verification of ongoing independence of independent members signed according to the form prepared by the Securities and Commodities Authority.

The following is a statement of the credentials of the Board Members.

Board Members

Sheikh Ahmed bin Saqr Al Qasimi
Capacity: Independent/Non executive
Experiences and qualifications:
- Holding a BA in international Public Relations
- Chairman Ras Al Khaimah National Insurance Company since February 2009.
- Head of the Emirates Cultural and Sports Club
- Head of Saqr Mohamad Al Qasimi Institution for Charity
- Chairman of RAK Hospitality

Year of service: 5 years
Membership and positions in PSC Companies:
- Board Member Gulf Pharmaceutical Industries Company

Positions in a Government regulator or other important business:
- Head of the Custom Department in Ras Al Khaimah
- Chairman Falcon Technology
- Chairman of RAK Free Zone

Ahmed Issa Al Naeem
Capacity: Non Independent/Non Executive
Experiences and qualifications:
- Holding a B.S in Electrical and Communications Engineering
- Major in Radar Engineering from Marconi -UK
- Vice Chairman Ras Al Khaimah National Insurance Company
- Businessman having extensive experience in business management and real estate and commercial projects

Year of service: 9 years
Membership and positions in PSC Companies:
- Vice Chairman of United Insurance Company
- Board Member of Gulf Pharmaceutical Industries Company
- Board Member of Rak Bank

Salem Ali Al Sharhan
Capacity: Independent/Non executive
Experiences and qualifications:
- Holding a BS in accounts from UAE university.

Year of service: 8 Months
Membership and positions in PSC Companies:
- Board Member in RAK Bank

Positions in a Government regulator or other important business:
- Board Member in DIFC

Ahmed Salem Abdullah Al Hosani
Capacity: Independent/Non executive
Experiences and qualifications:
- Holding a BA in Business Administration from the American University- Dubai
- Master in Business Administration
- Ras Al Khaimah National Insurance Company, Board Member since 2009

Year of service: 5 year
Membership and positions in PSC Companies:
- Gulf Pharmaceutical Industries Company Board Member
- Union Arab Bank, Board Member

Positions in a Government regulator or other important business:
- Salem Property Managing Director

Roberto Santini
Capacity: Non Independent/Non executive
Experiences and qualifications:
- Qualification in Electrical Engineering

Year of service: 1 year
Positions in a Government regulator or other important business:
- CEO of Falcon Technology International
- Board Member in RAK Chamber of Commerce

B) Statement of the following:

Total Board of Directors' Remuneration paid in 2013:

The Board of Directors remuneration has been fixed pursuing to Art. 7 Ministerial Resolution No 518 of 2009 Concerning Governance Rules and Corporate Discipline Standards and Art. No 118 of the Law of Commercial Companies No 8 of 1984 and as per the Company Article of Associations No.33, the remuneration of the Board of Director was fixed in the General Assembly Meeting held on 27/04/2014 by AED 1,300,000/- for the financial year ending 31st December 2013, and subsequently paid.

Total Board of Directors' remuneration proposed for the year 2014 which will be put up in the Annual General Assembly meeting for approval.

During the upcoming General Assembly Meeting, which will be held on the 06th of April 2015, the proposed Board of Director's Remuneration to be put up for approval shall be AED 1,300,000, for the financial year ended 31st December 2014.

Details of the allowances for Board and Committees meeting attendance paid during the financial year 2014.

Each Board Member was paid an attendance fee of UAE Dirham 5000/- for attending the Board Meeting. No fees arepaid for attendance at Committee meetings.

C) The number of Board Meeting held during 2014 with their dates and the number of presence of all members:

RAK Insurance Board of Directors met seven times during 2014. As stated below:

Meetings	Date	Attendees
1	Sunday 16th February 2014	All members
2	Wednesday 26th March2014	All members
3	Wednesday 30th April 2014	All members
4	Tuesday 13th May 2014	All members
5	Thursday 24th July 2014	Absent: Mr. Roberto Santini and Mr. Ahmed Salem Abdullah Al Hosani
6	Wednesday 10th September 2014	Absent: Mr. Ahmed Salem Abdullah Al Hosani
7	Wednesday 10th November 2014	All members

Number of the personal attendance for each member of the Board of Directors:

No.	Member's Name	Number of personal attendances
1	Sheikh Ahmed Bin Saqr Al Qasimi	7/7
2	Mr. Ahmed Issa Al Naeem	7/7
3	Mr. Ahmed Salem Abdullah Al Hosani	5/7
4	Mr. Salem Ali Al Sharhan	5/7
5	Mr. Roberto Santini	6/7

D) Tasks and functions of the Executive Management Authorised by the Board of Directors.

During the year 2014, no additional duties and responsibilities have been delegated by the Board of Directors to the executive management.

The Executive management consists of Chief Executive Officer and department managers, who are responsible for implementing the Company's strategy and manage the daily affairs of the Company.

E) Details of Transactions made with related parties

The transactions made with related parties during 2014, as follows:

Name	Designation	Claims Paid
Board Members and Major Shareholders	AED 41,934,318.50	AED 6,018,907.29

F) Detailed statement of senior executives in the Company, their designation, date of appointment with a statement of the total salaries and bonuses paid to them according to the following:

Name	Designation	Date of appointment	Total of salaries and allowances paid 2014	Total of the bonuses paid for 2014
Andrew Smith	CEO	13 Jan 2013	AED 1,080,000/-	No Bonus
Gary Burden	CFO	01 Aug 2013	AED 753,200/-	No Bonus

External Auditor:

A) Brief on the Company's External Auditor:

KPMG, is a professional, financial consulting company well-known at a global level.
They have three lines of service: Audit, Tax and Advisory.

It was decided that KPMG would conduct the external audit of RAK Insurance account, at the General Assembly Meeting held on 24th April 2014. The independent external audit firm is independent from the company and its Board of Directors.

B) Auditors fees and remunerations

Name of the Audit Firm	KPMG
Since when the Auditors are auditing the company	Since 2013
Full remuneration and fees during 2014	AED 141,750
Fees of special services other than audit of the financial statements for the year 2014	NONE
Details of other provided services	NONE

Audit Committee:

A) The names of the Audit Committee members, Terms of Reference and the tasks delegated to it:

The Audit Committee consists of the Board Members stated below

Names of audit committee member	Position	Designation
Mr. Salem Al Sharhan	Chairman	Independent
Mr. Roberto Santini	Member	Non- Independent
Mr. Ahmed Salem Al Hosani	Member	Independent

Roles and duties of the Audit Committee as follows:

a. It shall develop and apply the policy for contracting with external auditors and make a report to the Board of Directors to set forth the issues in respect of which an action shall be adopted together with recommendations on necessary steps to-be-adopted.

b. It shall follow up and oversee the independence and objectivity of the external auditor and hold discussions with the external auditor on the nature, scope and efficiency of auditing pursuant to approved audit standards;

c. It shall oversee the integrity of and review the Company's financial statements and annual, semiannual and quarterly reports in the course of its operations during the year and shall, in particular, focus on:
   (1) any changes of accounting policies and practices;
   (2) highlighting matters that are subject to the management's judgment;
   (3) material amendments emerging out of auditing;
   (4) assumption of the Company's going concern;
   (5) adherence to the accounting criteria set by the Authority; and
   (6) adherence to listing and disclosure rules as well as other financial reporting legal requirements;

d. It shall coordinate with the Board of Directors, the executive management and the financial manager or the manager assuming the same duties in the Company in order to duly fulfill its duties. The Committee shall hold a meeting with the Company's external auditor at least once per annum;

e. It shall consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the compliance officer or the external auditor;

f. It shall review the Company's financial control, internal control and risk management systems;

g. It shall discuss the internal control system with management and make sure that it fulfills its duty to develop an effective internal control system;

h. It shall consider findings of main investigations into internal control issues to be assigned thereto by the Board of Directors or at the initiative of the Committee upon the approval of the Board of Directors;

i. It shall ensure coordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body;

j. It shall review the Company's financial and accounting policies and procedures;

k. It shall review the mission and action plan of the external auditor and any material inquiries raised by the auditor to the management in respect of accounting records, financial accounts or control systems, respond thereto and approve the same;

l. It shall make sure that the Board of irectors responds on a timely basis to inquiries and material issues raised in the external auditor's mission;
m. It shall develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations;
n. It shall oversee the scope of the Company's compliance with its code of conduct;
o. It shall ensure application of rules of operation in connection with their duties and powers assigned thereto by the Board of Directors;
p. It shall make a report to the Board of Directors on the issues set in this clause; and it shall consider any other issues as the Board of Directors may determine.

B) Meeting and Attendance

During the financial year 2014, four meetings were held. Member's attendance records are detailed below:

In the 1st meeting held on the 26th March 2014 the Committee members was constituted by Mr. Ahmed Salem Al Hosani Chairman and Mr. Khaled Saffarini and Mr. Ahmed Issa Al Naeem Members. Then after the uncontested election in April during the AGM and in their first meeting the Board of Director constituted the Audit Committee from the following members.

Members/Meeting dates	13/05	07/09	09/10
Ahmed Salem Abdulla	✓	✓	✓
Khalid Al Saffarini	✓	a	a
Ahmed Issa Al Naeem	✓	✓	✓

Nomination and Remuneration Committee

A) The names of the audit committee members, terms of reference and the tasks delegated to it:

The Nomination and Remuneration Committee consists of the Board Members stated below:

Names of the nomination and remuneration committee member	Position	Designation
Mr. Ahmed Salem Abdullah	Chairman	Independent
Mr. Ahmed Issa Al Naeem	Member	Non-Independent
Mr. Salem Al Sharhan	Member	Independent

Roles and Duties of the Nomination and Remuneration Committee as follows:

The nomination and remuneration committee is responsible for:

1. Verification of ongoing independence of independent board members;
2. Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to board members and employees of the Company and the committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance;
3. Determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection;
4. Formulation, supervision of application and annual review of the Company's human resources and training policy; and
5. Organisation and follow-up of procedures of nomination to the membership of the board of directors in line with applicable laws and regulations.

The committee transparently makes a report in writing to the Board of Directors setting forth the procedures, results and recommendations that the committee reaches. The board of directors shall follow up the operations of these committees to verify their adherence to the commissioned operations.

B) Meeting and Attendance

During the financial year 2014, three meetings were held. In the 1st meeting held on the 16th February 2014 the Committee members was constituted by Mr. Khaled A; Saffarini Chairman and Mr.Ahmed Salem Al Hosani and Mr. Ahmed Issa Al Naeem Members. Then after the uncontested election in April during the AGM and in their first meeting the Board of Director constituted the Remuneration and Nomination Committee Members. The attendance records are detailed below:

Members/Meeting dates	21st May 2014	21st September 2014
Ahmed Salem Abdulla Al Hosani	✓	✓
Salem Ali Al Sharhan	✓	✓
Ahmed Issa Al Naeem	a	✓

Internal control system

The Compliance and Internal Control function was established in 2010 in response to the recommendations arising from Article 8 of the Ministerial Resolution No. 518 of 2009 concerning governance rules and corporate discipline standards, which required a Listed Company to apply a precise internal control system.

A) Adoption of the Board to be responsible for the internal control system in the Company

RAK Insurance Board of Directors acknowledges its responsibility for the implementation of the internal control system in the Company and regularly assessing the effectiveness of system.

B) The Internal Control:

The Internal Control reports immediately, any major issues to the Audit Committee (if any) and also notifies the Top Management of the Company who are accountable, and advises them, the appropriate actionable.

The Internal Control Audits are provided by Mrs. Nisha Braganza who is holding a Chartered Accountant (ACCA), MBA Financial Services, and BSc Accounting. Nisha is an experienced professional with over 10 years of experience in business and financial consulting, and internal audit in the Middle East region including over 6 years of experience with internal audit firm Protiviti Member Firm Middle East; Primary focus is in the financial services sector i.e. commercial banks, investment companies, insurance, takaful and foreign exchange.

She managed over 100+ business strategy plans, market intelligence reports, financial advisory and internal audit projects over 8 + years; she also established a consulting and internal audit practice in the UAE in May 2013.

C) Compliance Department:

The Compliance Department ensures that the Company implements laws, regulations, and circulars issued by the Regulatory Authorities including but not limited to the Corporate Governance Discipline and Standards. The Compliance Department also participates in developing the internal policies and procedures and make sure that these policies are in compliance with the applicable laws.

The Compliance Department consists of Mr. Dennis Elias who holds a Master's in Business Administration. He holds JAIIB (Junior Associate of the Indian Institute of Bankers) and Indian licenses to sell Life Insurance and Mutual Funds.

He has been a seasoned banker for nine years with more than a year of experience in Compliance. His experience in Branch Banking Process Audits and Service Quality Assessment checks will also be of use.

D) How did the Internal Control Manager dealt with significant problems in the Company during 2014

The internal control function at RAK Insurance is planned and conducted with a view to develop a disciplined approach to evaluate and improve effectiveness of the internal policies as well as to monitor and control business risks. Below is an overview of the Internal Control process:

Internal Control Plan: At RAK Insurance, an annual internal control plan is drawn at the start of the internal control year with focus of key functions/departments that will be controlled during the year. The Annual internal control plan is approved by the Audit Committee.

Internal Control Reports: During the year, internal reviews are conducted and internal control reports have been issued periodically. The reports summarise the observations/areas for improvement, implications (as high/medium/low risk), management responses and recommendations. These observations are discussed with senior management, and a timeline for implementation/fixes is agreed, further the report is presented to the Audit Committee on a quarterly basis.

Internal Control follow-up: Quarterly Internal Control follow-ups are conducted on previous reports, to ascertain implementation of agreed changes. The follow-up findings is presented through follow-up reports and presented to the Audit Committee.

Details of breaches committed during the financial year

The Ministers Resolution No. 23 of 2009 concerning the supervision and control and fees of the insurance transaction and that in the event of delay submitting the request a fine will be executed. Accordingly, a fine of AED 150,000 has been imposed on the company for the delays to amend the company's data in the Insurance Authority record. This fine related to the previous years since 2006 to 2010.

The Company contribution in the community development and environment preservation during 2014:

RAK Insurance contributes and encourages environmental programs, sports and social development. The Company sponsored the Emirates cultural and sports club. RAK Insurance is also committed to the initiative in protecting the environment which is reflected by the use of recycled paper in the company's day to day operations.

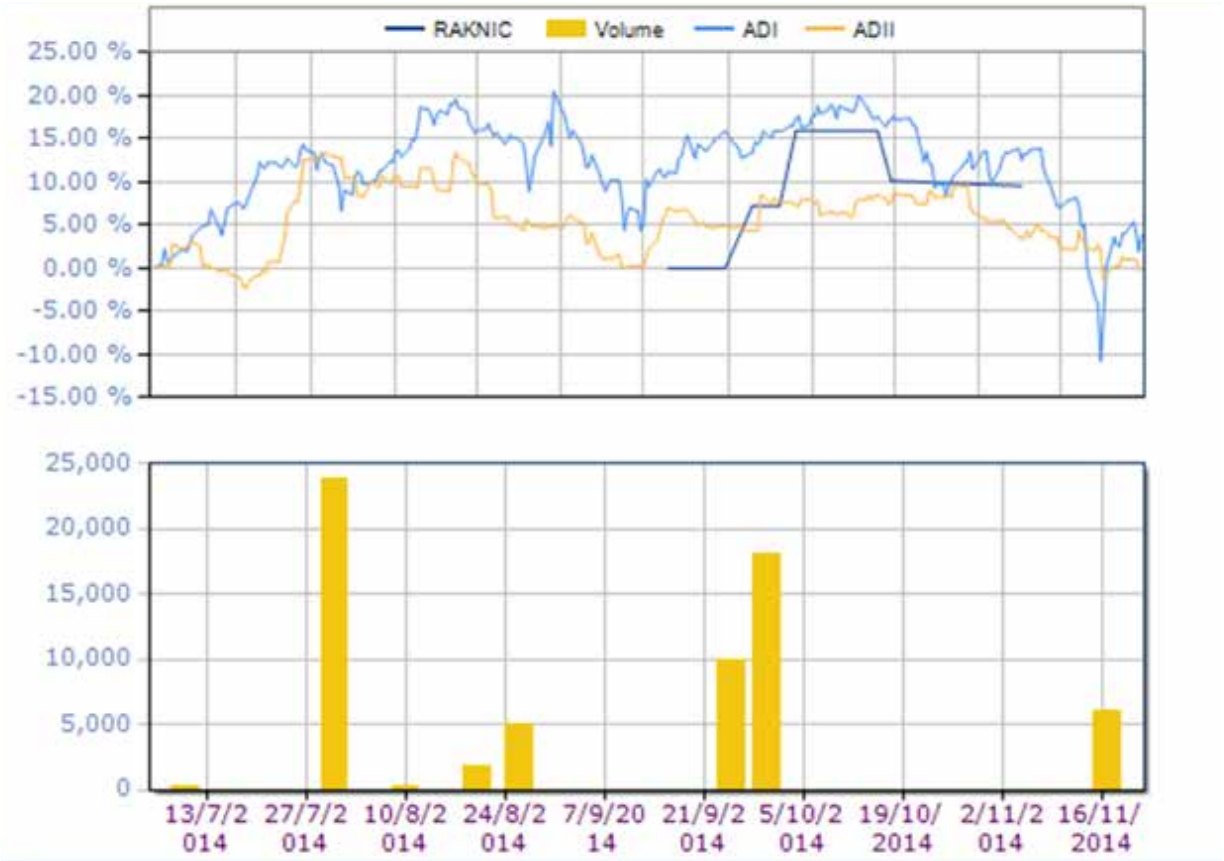
General Information

A) Statement of the Company's market share (the closing price, highest price, lowest price) at the end of each month during the financial year of 2014.

Month 2014	High Price	Lowest Price	Closing Price
January	3.45	3.45	3.45
February	3.45	3.45	3.45
March	3.45	3.45	3.45
April	3.45	3.45	3.45
May	3.45	3.45	3.45
June	3.45	3.45	3.45
July	3.45	3.45	3.45
August	4.00	4.00	4.00
September	3.78	3.78	3.78
October	3.80	3.80	3.80
November	3.80	3.80	3.80
December	3.78	3.78	3.78

B) Statement of the comparative performance of the company's share with the general market index and the sector index to which company belongs

Below is the share price reactions with the general market index and the sector index which the company belongs.



C) A statement distributed ownership equity as of 31/12/2014 (individuals, companies, governments) classified as Local, Gulf, Foreign

Individuals	Companies	Governments	Shareholders
26.75%	24.91%	47.06%	Local
0.04%	0.05%	none	Gulf
none	0.1%	none	Arabic
0.01%	none	none	Foreign

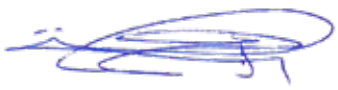
D) Statement of shareholders who own more than 5% of the company's capital.

Percentage	Shareholders
47.06%	RAK Government
12.05%	Salem Company
10.62%	Ahmed Issa Al Naeem
8.48%	GCC General Investment Company

Statement core events encountered by the company during 2014

The Company entered into a number of significant activities/events during 2014:

- RAK Insurance was one of the seven companies approved by Dubai Health Authority to promote the mandatory health insurance un Dubai.
- The Company increased its capital from 100 million dirhams to 110 million dirhams.
- RAK Insurance won the Ethical Boardroom award for "Best Corporate Governance – Insurance –Middle East 2015.
- RAK Insurance appointed Head of Operations and Head of Risk Management.
- The Company launched an online portal to purchase of its vehicle insurance policies through the Company website **www.rakinsurance.com**.
- RAK Insurance won the Most Innovative Insurer - Technology award at MENA IR, Insurance Awards 2015.



Andrew Smith
Chief Executive Officer

H.H Sheikh Ahmed Bin Saqr Al Qasimi
Chairman

Regina Doumit
Head of Legal & Compliance