



أبوظبي لبناء السفن
ABU DHABI SHIP BUILDING
ش.م.ع. PJSC

ISO 9001
BUREAU VERITAS
Certification



ABU DHABI SHIP BUILDING PJSC
CORPORATE GOVERNANCE REPORT
FOR THE YEAR 2009
(Including ESCA compliance return)

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1. Introduction

This report sets out a detailed status of the Company's compliance with the requirements for corporate governance, as set out in the UAE Ministry of Economy Ministerial Resolution No. 518 of 2009, as amended (the 'Code').

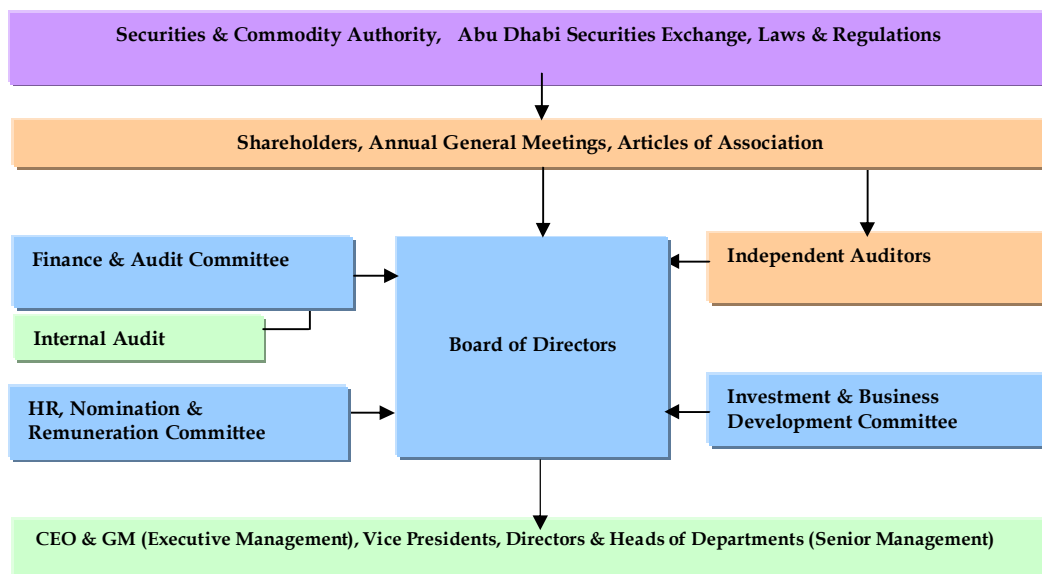
1.1 Governance Philosophy

The Company recognizes that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance.

1.2 Articles of Association

The Company's Articles of Association were reviewed against the Securities and Commodities Authority's Chairman's Decision No. (R/32) of the year 2007 and the amendments were approved in January 2009 by the Board of Directors of the Company so as to comply with the requirements of SCA. These amended Articles of Association were adopted by an Extraordinary General Assembly (EGM) of the Shareholders in April 2009. These Articles of Association are in total compliance with the Code and approved by the Securities and Commodities Authority (SCA).

1.3 Corporate Governance Structure



1.4 Shareholders

The Shareholders represent the highest level of governance, as set through the Articles of Association, followed by the frameworks set by the Securities & Commodities Authority (SCA), the Abu Dhabi Securities Exchange (ADX) and the applicable laws and regulations.

2. Board of Directors

2.1 Role & Function

The Directors collectively exercise independent and objective judgment in setting and directing the business strategies; overseeing the management and control of the company; initiating and implementing corporate policies, procedures and control as necessary; overseeing the adequacy and effectiveness of internal controls and corporate governance; approving investments, business plans, budgets and financial statements; overseeing the adequacy of managerial resources to ensure the availability of adequate and appropriate resources; ensuring the shareholders get accurate and relevant information in a timely manner. The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role, setting its agenda, ensuring the provision of information to directors, and leading communication with the shareholders.

2.2 Appointment of Directors

The Articles of Association of the Company provide for ten Directors, six of whom shall be from time to time appointed by a resolution of the Executive Council of the Emirate of Abu Dhabi or by any person authorized by the Council to make such appointment. The General Assembly of the Shareholders shall elect the remaining four members by Cumulative secret ballot provided that the Executive Council shall not participate in voting for their election. The present Board was elected by the Shareholders of the Company at the Annual General Meeting (AGM) held in April 2009 for a period of three years.

2.3 Composition of the Board

The Board comprises of 10 directors of which 9 are non-executive directors (90% of the Board strength) and 8 are independent directors (80% of the Board strength). The Board of Directors of the Company meets at least every 2 months.

Directors	Title	Category	Board Meetings	
			Available	Attended
Homaïd Abdulla Al Shemmari	Chairman	NED & I	7	7
Jassem Mohamed Al Zaabi	Vice Chairman	NED & I	5	5
Major General (ret) Suhail Shaheen Al Marar	Member	NED	7	5
Staff Major General Obaid Al Ketbi	Member	NED & I	7	3
Suhail M. F. Al Mazrouei	Member	NED & I	7	5
William Saltzer	Member, CEO	ED	7	6
Salem Rashid Al Noaimi	Member	NED & I	5	4
Hamad Khalifa Al Neyadi	Member	NED & I	5	3
Hussain Ibrahim Al Hammadi	Member	NED & I	5	2
Abdullah Saeed Al Darmaki	Member	NED & I	5	4

Notes:

- NED - Non-executive Director; NED & I - Non-executive & Independent Director; ED - Executive Director.
- New Board members appointed or elected in the AGM in April 2009 had only 5 meetings to attend in 2009.

2.4 Directors' Business and Management Experience and External Appointments

Name of Directors	Qualification	Business & Management Experience	Experience as a director	Area of expertise	External Appointments /Positions
Homaid Abdulla Al Shemmari	BSc - Aeronautical Engineering	3 years	3 years	Aerospace Industry	Executive Director of Mubadala Aerospace Unit, Mubadala Development Company
Jassem Mohamed Al Zaabi	MBA	10 years	5 years	Information & Communications Technology, Infrastructure projects	-Injazat Data Systems / Chairman -Emirates Integrated Telecommunications Company (du)/ Member -Emerging Markets Telecommunications Services/ Member -Advanced Technology Investment Company (ATIC)/Member -TowFour54/ Member -Abu Dhabi Ports Company (ADPC)/Member -Emirates Nuclear Energy Corporation / Member - CEO - AL YAH Satellite Communicatins Co.
Major General (ret) Suhail Shaheen Al Marar	Master degree in Foreign Affairs	5 years	15 years	Project Management and Ship building	Chairman of Oversees Property Management Company
Staff Major General Obaid Al Ketbi	- Bachelor of Electrical Engineering - Bachelor of Business Administration - Master's degree in National Resources management - Master's Degree in Purchasing Management - Master's Degree in Management and Strategy	5 years +	20 years +	Security and Strategic management	-Deputy Commander-in Chief of Abu Dhabi Police -Member of the Executive Council of Abu Dhabi Emirate - Chairman of the Board of Directors of Al Taif Company - Member of Abu Dhabi Emirate Re-Construction Committee. - Chairman of the Sub-Committee of Abu Dhabi Emirate Population Structure. - Chairman of Higher Committee of Urban Projects.
Suhail M. F. Al Mazrouei	BSc - Petroleum Engineering	14 years	4 years	Oil & Gas	- Chairman of Abu Dhabi Integrated Systems - Board Member of Sorouh Real Estate PJSC - Chairman of PSN Emirates LLC - The Deputy CEO and Senior Vice President of Mubadala Oil & Gas
William Saltzer	BSc - Industrial Technology & MSc - Engineering Management	20 years	5 years	Shipbuilding & Defence Industry	Board member in ADSI and GLNS (ADSB subsidiary)
Salem Rashid Al Noaimi	Bachelor - Finance & International Business	7 years	6 years	Investment and Banking and Business Administratin	-Waha Leasing (PJSC) (Member) - Dunia Finance (Chairman) - Siraj Finance (Chairman) - Industrial City Cooling Company (ICCC) (Member) - Mena Infrastructure Fund GP (Limited) (Member) - Addax Bank BSC - Alaat (Member) - Bashayer (Member) - Waha Financial Services (Member) - CEO, Waha Capital PJSC.
Hamad Khalifa Al Neyadi	Bachelor Degree in E-Commerce	7 years	3 years	Industrial	-Board member in GLNS (ADSB subsidiary) -Excutive Director Strategy & Portfolio Management - Offset Program Burea
Hussain Ibrahim Al Hamma di	BSc - Aeronautical Engineering	5 years	6 years	Business Development & Managment	-Chairman of the Board of Trustees of the Institute of Applied Technology (IAT) -Trustee on the Board of Trustees of the Abu Dhabi Education Council -Trustee on the Board of

					Trustees of Khalifa University of Science, Technology and Research, (KUSTAR)
Abdullah Saeed Al Darmaki	Bachelor Degree of International Affairs	12 years +	4 years	- Oil and Gas - Petrochemicals (Downstream & Upstream) - Investment Real estate - Human Capital Development	General Manger - Abu Dhabi Tawteen Council

2.5 Induction Programme

All new directors are provided with an induction programme involving comprehensive briefings from management and site visits. All Directors have access to information and senior management as required to enable them to fulfill their responsibilities.

2.6 Access to Independent Advice

The board members are entitled to request to seek the opinion of an independent consultant in any matter relating to the company at the company's expense, provided no conflict of interest is involved.

2.7 Executive Management

The Executive management, comprising Chief Executive Officer and General Manager implements the company strategy and manages the day-to-day affairs of the company according to the business plans and activities approved by the Board, protecting the shareholder interests and adopting best and successful practices. Executive management delegates functions to senior management team subject to board policies and legal requirements. The Senior Management Team is comprised of Vice Presidents, Directors and Heads of Departments.

2.8 Board of Directors Remuneration

Subject to the provisions of Article 118 of the Companies Law No. 8 of 1984, the remuneration of the members of Board of Directors consists of a percentage of net profit. The upper limit is fixed at no more than 10 per cent of net profit. This is in accordance and in complies with Articles 7 of the Code.

In 2009, the amount of AED 1,000,000 (equivalent to 0.87 per cent of the net profit) was allocated for the remuneration of the Board of Directors, subject to approval by the AGM.

2.9 Directors' Transaction in Company Securities

The Board and the individual Directors as well as the company management staff understand their obligations with respect to disclosure requirements in connection with their dealings in ADSB securities and are compliant with all requirements set by the SCA and ADX. To ensure best practices, the board is in the process of issuing a detailed share Dealing Policy applicable to all board members and company staff who have access to sensitive company information.

3. Board Committees

The board has established 3 permanent committees to assist in executing its functions, bestowed them with powers, and entrusted them with responsibilities to implement resolution(s) of the Board:

- Finance & Audit Committee
- HR, Nomination & Remuneration Committee
- Investment & Business Development Committee

3.1 Finance & Audit Committee

The Finance & Audit Committee assists the Board in fulfilling its corporate governance responsibilities in relation to risk management and internal control systems, accounting policies and practices, financial reporting and internal and external audit functions.

The composition of the Committee complies with the requirements of the Code.

The broad terms of reference of the Committee are as defined in the Code. The committee is comprised of three non executive and independent directors and an outside financial and accounting expert. The Finance Director of the Company acts as the Secretary to the Finance & Audit Committee. The CEO, External Auditor and other executives of the Company also attend the meetings as and when required but are not entitled to vote on the decisions of the Committee

Finance & Audit Committee	Title
Salem Rashid Al Noaimi	Head of Committee
Jassem Mohamed Al Zaabi	Member
Hamad Khalifa Al Neyadi	Member
Hamdan Zakari Awda	Member (Finance and Accounting Expert)

The Charter of the Finance & Audit Committee defines the Committee's authorities and responsibilities.

3.2 HR, Nomination & Remuneration Committee

The HR, Nomination & Remuneration committee monitors the independence of independent board members, prepares remuneration and benefits policies to be provided to the company's board members, directors and employees, and formulates and reviews on an annual basis the company's human resource policies and standards to attract, encourage and retain a competent workforce and monitor compliance with the same. Development and implementation of Emiratisation plans and initiatives are also responsibilities of this Committee.

The Committee formulates and annually reviews the policy on granting remunerations, benefits, incentives and salaries to board members and employees of the company and the Committee verifies that remunerations and benefits granted to the senior executive management of the company are reasonable and in line with the company's performance.

The Committee also issues and follows-up on procedures for nomination to the membership of the board of directors in line with applicable laws, regulations and resolutions.

The composition of the Committee complies with the requirements of Code.

The Committee is composed of four Non-Executive and Independent Directors. The VP of Human Resources, CEO, GM and other executives of the Company also attend the meetings as and when required, but are not entitled to vote on the decisions of the Committee.

Nomination & Remuneration Committee	Title
Abdulah Saeed Al Darmaki	Head of Committee
Hussain Ibrahim Al Hammadi	Member
Hamad Khalifa Al Neyadi	Member
Salem Rashid Al Noaimi	Member

The Charter of the HR, Nomination & Remuneration Committee defines the Committee's authorities and responsibilities.

3.3 Investment & Business Development Committee

The Investment & Business Development Committee reviews capital and other financial investments proposed by Management to ensure alignment of such proposals with company's strategy and goals. The committee also advises the board of directors on joint ventures, mergers or acquisitions, and annually reviews, the Marketing and Business Development policies and strategies.

The committee is comprised of two non executive and independent directors and one non executive director. The VP of Marketing, CEO and other executives of the Company also attend the meetings as and when required but are not entitled to vote on the decisions of the Committee

Investment & Business Development Committee	Title
Suhail Shaheen Al Marar	Head of Committee
Jassem Mohamed Al Zaabi	Member
Suhail M.F Al Mazrouei	Member

The Charter of the Investment & Business Development Committee defines the Committee's authorities and responsibilities.

4. Risk Management & Internal Control

A company-wide risk assessment was conducted as part of risk-based internal audit approach, identifying and prioritizing the potential risks the company may face. Policies and procedure manuals are implemented and reviewed to ensure measures are adopted to mitigate such risks. Internal audits are being carried out by a combination of the in-house internal auditor and additional qualified auditors provided under a co-sourcing arrangement with Deloitte & Touche. An audit plan, developed based on the risk assessment, is in place and being carried out. Under the plan, the efficiency and effectiveness of internal controls currently in place, compliance with the Company's policies, procedures and practices, as well as adherence to applicable laws and regulations are reviewed and addressed as necessary. A summary report of audits that were conducted including the comments and actions by management, are being provide to the senior management of the Company on a quarterly basis and presented to the Finance & Audit committee on a semi annual basis.

In regard to the internal control systems the company has the following in place:

A comprehensive reporting, budgeting and planning process has been approved by the Board and implemented by Management, against which performance is monitored. Appropriate policies and procedures have been established in all functional areas of the business activity. An organization structure with clear level of authority and division of responsibilities has been implemented. A code of conduct is in place for all employees and evaluation of performance and quality of employees is accomplished through an annual appraisal process. The Finance & Audit Committee has further briefed the Board about the effectiveness of internal controls in the company and the Board are pleased to inform the shareholders that adequate and effective internal controls are in place and that there are no significant concerns.

The company appointed a compliance officer with well defined duties and responsibilities to oversee the implementation and compliance of the Company with the corporate governance requirements.

5. Shareholder Communication

The company is committed to ensuring that shareholders and the market receive high quality, relevant and accurate information in a timely manner. The General Assembly is the primary opportunity for shareholders to meet with the Board and Senior Executives face-to-face. A copy of the Annual Report, as well as the report of the Chairman of the Board of Directors, is made available to the shareholders along with the agenda for the Annual Ordinary General Assembly. Shareholders attending the venue are given the opportunity to ask questions during the course of the meeting. The External Auditor also attends the General Assembly Meeting to present the audit report and is available to answer questions or clarification on the matters contained in the audit report.

6. Insider Share Dealing

ADSB has a policy to assist the directors and employees of the company to comply with obligations of applicable laws and regulations when they are in possession of sensitive information that could influence the price of the shares the company.

7. Corporate Social Responsibilities

The Company recognises that it must be a responsible member of the society in which it operates and does business. Policies, procedures and systems have been put in place to address health, safety and environmental concerns. The Company complies with all applicable Government environmental laws and regulations and it practices environmental management to include the efficient management of resources and the reduction of waste. The Company works in cooperation with the Government Sector and local Educational Institutions to develop initiatives for employing UAE Nationals in all aspects of the business. The Company also contributes to educational and charitable organizations in the community to help further the goals of society.

8. Professional Conduct

Behaving ethically is an essential part of working for the Company. It is fundamental to how the Company does business and is vitally important to the reputation and success of the Company. A well developed code of conduct is in place and adherence by the Board of Directors and Employees of the company is mandatory.

9. External Auditor

The External Auditor of company is Ernst & Young. They were appointed by a decision of the Shareholders at the General Assembly Meeting in 2009. Ernst & Young are a professional external audit firm and are independent from company's Board of Directors and Executive Management.

The Finance & Audit Committee reviews the quality and effectiveness of the audits conducted by the External Auditor and makes recommendations to the Board as to the re-appointment or replacement of the auditor and the rotation of the audit engagement Partner where appropriate.

The External Auditor attends the meetings of the Finance & Audit Committee on request and he attends the General Assembly Meeting to present the audit report and is available to answer questions about said report.

The fee paid for the year 2009 for the services of the External Auditor was AED 165,500; consisting of AED 110,000 for performing the Annual Audit and AED 18,500 for each of the three quarterly reviews.

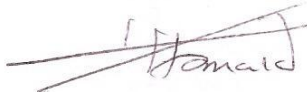
10. The Share Movement during the year



11. Top 20 Shareholders and Nationality of Shareholding

The table below lists ADSB's top 20 shareholders.

SRN	Citizenship	Investor Name	Holding	Ownership %
1	UAE	Mubadala Development Co.	84,708,800	39.958%
2	UAE	Abu Dhabi Government	21,199,200	10.000%
3	UAE	Hussain Jassim Nasser Mohammed Al Nowais	12,127,388	5.721%
4	UAE	Bildco.	8,724,917	4.116%
5	UAE	Abdulla Nasser bin Huwaileel Al Mansouri	8,553,974	4.035%
6	USA	EQUINOX PARTNERS L P	8,289,239	3.910%
7	UAE	Oman Insurance Pjsc	6,333,140	2.987%
8	UAE	Delma Co-Operative Society	6,006,440	2.833%
9	UAE	Ali Rasheed Naser Al Omairah	5,309,105	2.504%
10	UAE	H.H. Shaikh Saeed Bin Zayed Al Nahyan	3,604,106	1.700%
11	UAE	Abdulla Abbas Ismail Al Khoury	3,205,880	1.512%
12	UAE	Khaled Abdul Ghaffar Abdul Khaliq Al Khoury	2,364,274	1.115%
13	UAE	Capital Investment L.L.C	1,952,940	0.921%
14	UAE	Hussain Ali Mohammed Al Shayegh	1,459,029	0.688%
15	UAE	Rashed Darweesh Ahmed Saif Al Ketbi	1,005,884	0.474%
16	UAE	Abdul Ghaffar Abdul Khaliq Abdullah Al Khoury	932,514	0.440%
17	UAE	Siddiqe Abdul Hadi Mohammed Al Ajmani	928,961	0.438%
18	UAE	Abdulla Mohammed Sharif Mohamed Foladhi	796,808	0.376%
19	UAE	Rashed Khamis Mukhaizen Al Mansouri	774,983	0.366%
20	UAE	Al Souod limited company	774,433	0.365%



Homaid Abdulla Al Shemmari
Chairman of the Board of Directors



William S. Saltzer
Chief Executive Officer

ESCA CORPORATE GOVERNANCE COMPLIANCE RETURN AS OF
31ST December 2009

1. Corporate Governance Practices:

- a) Statement of the company's method for the implementation of the principles mentioned in this Resolution, providing an explanation enabling the shareholders to evaluate the manner in which such principles shall be applied .**

As directed by the Board, ADSB has adopted the corporate governance requirements as envisaged in the Code. The Articles of Association have been amended incorporating these corporate governance requirements. The company appointed a compliance officer with well defined duties and responsibilities to oversee the implementation and compliance of the Company with the corporate governance requirements. The annual Corporate Governance Report is filed with the ESCA and published on the Company's website for review and reference.

- b) Statement showing whether the company implements the provisions of this Resolution**

The Company is in compliance with corporate governance requirements. For further details, kindly refer to the detailed Corporate Governance Report filed with SCA and published on the Company's website.

2. Dealings of the Members of the Board of Directors in Securities:

- a) Statement of the work rules endorsed by the company in respect of the dealings of the Board members in securities issued by the company or any of its subsidiaries or sister companies.**

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 3.9 & the detailed Corporate Governance Report filed with SCA and published on the Company's website.

- b) Statement of the extent of the Board members' observance of the disclosure requirements set by the Law and the regulations and resolutions issued under the same in respect of their dealings in securities.**

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Sections 3.9 & 6 of the detailed Corporate Governance Report filed with SCA and published on the Company's website.

3. Formation of the Board of Directors:

- a) Statement of the formation of the Board of Directors sorted by the categories of its members and their particulars, expertise and qualifications they possess as well as a statement of the period of their membership in the Board of Directors .**

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Sections 3.3 and 3.4 of the detailed corporate governance report.

b) Statement of the Board members' memberships in any other joint stock companies and their capacities in any important control, government or commercial positions.

HR, Nomination & Remuneration committee verifies Board members membership, positions etc in other companies, government or other entities.

c) Statement of the method for remuneration of the Board member.

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 3.8 of the detailed Corporate Governance Report.

d) Statement of the number of Board meetings held within the financial year .

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 2.3 of the detailed Corporate Governance Report.

e) Statement of the functions and duties delegated by the Board of Directors to the Executive Management.

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 3.7 of the detailed Corporate Governance Report.

4. Fees of the External Accounting Auditor:

Statement of the fees and costs of the audit or the services rendered by the external accounting auditor . Such statement must include the details and nature of the services and the due charges.

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 10 of the detailed Corporate Governance Report.

5. The Audit Committee:

Statement of the formation of the Audit Committee and statement of the functions and duties assigned thereto.

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 4.1 of the detailed Corporate Governance Report.

6. Internal Control System:

Declaration by the Board of its responsibility for the company's internal control system, and for review thereof as well as for such system's effectiveness.

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 5 of the detailed Corporate Governance Report.

Statement of the work process of the company's Internal Control Department .

The Company complies with the relevant rules covering this matter. For further details, kindly refer to Section 5 of the detailed Corporate Governance Report.

7. General Information :

The violations committed during the financial year and statement of the reasons therefore and the methods of remedying the same and avoiding future reoccurrences.

One violation during 2009: delay by one day in disclosing the date of one board meeting.

The strengthening of the implementation of the corporate governance code and procedures by the Company will insure that such lapses will not occur in the future.