

Corporate Governance

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The Capital Markets Authority (the “CMA”) has recently issued resolution no. 25 of year 2013, dated 27 June 2013, covering the Corporate Governance Rules (the “Resolution”) for companies subject to the CMA. The Resolution is effective from the date it was issued.

The rules comprehensively cover all of the aspects of the functioning of a corporate entity, including but not limited to, composition of the board, selection criteria of constituent members, risk management and corporate social responsibility. In summary, the rules promote to improve talent, transparency, reporting accuracy, performance, risk governance, and instill accountability and fair dealing with all stakeholders of an organization

The following is a review of the corporate governance rules (the “Rules”) and the principles of which they comprise.

First rule: Strengthen board competition

The majority of the board of directors shall consist of non executive members, as well as independent members, who enjoy complete independence. This permits them to make decisions without being exposed to undue pressures. The board of directors shall regulate its businesses and allocate sufficient time to undertake the tasks and responsibilities entrusted to it.

Second rule: Establish clear roles and responsibilities

The company shall outline in detail the tasks, responsibilities and duties of each member of the board of directors and executive management, as well as the powers and authorities delegated to the executive management. The board of directors shall form specialized independent committees, in order to assist it to perform the tasks entrusted to it.

Third rule: Recruiting highly qualified candidates for the board of directors and senior management

The board of directors shall form a committee whose main role is to prepare recommendations for the board of directors in connection with all the required nominations. Furthermore, the board of directors shall form a remuneration committee, whose main role shall be to define the policies and regulations regarding compensation and remuneration.

Fourth rule: Safeguarding integrity in financial reporting

Written undertakings shall be submitted by the board of directors and executive management for the soundness and impartiality of the financial reports prepared about the company. The board of directors shall form an internal audit committee, whose main role shall be to ensure the soundness and impartiality of financial reports and internal audit systems. The external auditor shall be independent and impartial, be professionally competent, experienced and have a good reputation.

Fifth rule: Robust systems of risk management and internal control

The company shall have an independent department for risk management, to determine, measure and follow up the risks to which the company is exposed. The board of directors shall form a risk

management committee, whose main role is to develop risk management policies and regulations, in line with the company's risk tolerance. The company shall ensure the sufficiency of its internal control and audit systems.

The board of directors shall form a committee on governance applications, whose main role is to develop the governance framework. The same committee shall guide and supervise its implementation, along with any changes when required.

Sixth rule: Promote ethical standards and responsible conduct

The company shall develop a code which comprises the standards and criteria of professional behavior and ethical values. The board of directors shall outline the policies and mechanisms to limit events of conflict of interests, and the handling of them when they arise.

Seventh rule: Ensure timely and high quality disclosure

The board of directors shall develop quality disclosure and transparency policies and regulations.

The board of directors shall regulate the disclosures of the board of directors and executive management members. The company shall disclose in a precise and detailed manner the remuneration offered to members of the board of directors and executive management, whether in cash benefits or advantages. The company shall develop the infrastructure for information technology and rely on it widely for disclosure processes.

Eighth rule: Respect the rights of shareholders

The company shall determine the general rights of shareholders and ensure justice and equality between them. The company shall encourage shareholders to participate and vote in the company's general assembly meetings.

Ninth rule: Recognising the legitimate interests of stakeholders

The company shall develop systems and policies which ensure protection of stakeholders rights, and encourage stakeholders to participate in following up the company's various activities.

Tenth rule: Encourage enhanced performance

The company shall develop mechanisms to allow each member of the board of directors and executive management to participate in training programs and courses on regular basis.

The company shall develop the systems and mechanisms to evaluate the overall performance of the board of directors, as well as the performance of executive management.

The board of directors shall constantly ensure the significance of institutional value creation among the company personnel, by constantly working to achieve the company's strategic objectives, enhance performance rates and comply with the laws and instructions, particularly governance rules.

Eleventh Rule: Importance of social responsibility

The company shall develop the mechanisms that ensure balance between the company objectives and the community objectives, and shall outline the programs and mechanisms which assist to manifest the company's efforts in the community.

The above eleven Rules are subject to supervisory requirements by the Corporate Governance Department Control Sector of the CMA, which shall be furnished on a quarterly basis with proof

indicating execution of the requirements set out under the Rules, as well as the organisational structure approved by the company board of directors.

The Rules shall be complied with no later than 31 December 2014, taking into consideration that the company should immediately apply any principle or requirements set out under these Rules of a binding statutory character, whether according to the CMA Law, executive regulation or the Companies Law and its executive regulation.

Moreover, the CMA is entitled to request any additional information or data it deems necessary in order to ensure the extent of compliance with all the requirements and conditions set out under these rules.

Non-compliance of these Rules shall expose the violator to disciplinary accountability, in accordance with the CMA Law and its executive regulation.