إتحاد هيئات الأوراق المالية العربية

UNION OF ARAB SECURITIES AUTHORITIES

Guidelines on Code of Corporate Governance for Listed Companies in the Arab Financial Markets

Union Of Arab Securities Authorities

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Introduction

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Corporate governance is a system by which the rights and responsibilities of various parties involved in the company are determined, such as the board of directors, directors, shareholders and other stakeholders. The Organization for Economic Co-operation and Development (OECD) defines corporate governance as a set of relationships between the management of the company, the board of directors, owners and all relevant parties. It is the method that provides the structure through which the company's objectives are determined, results and performance monitored; and guided by the successful manner of exercising and managing authority. During which all the necessary incentives are presented to the Board of Directors and the senior executive management in their attempt to achieve the agreed goals to serve the interests of the company and its shareholders in accordance with the monitoring procedures and the optimal guidance for the efficient use of the company's resources.

In this sense, governance can be considered as a set of rules and standards that achieve institutional discipline by determining the relationship between the management of the company on one hand, shareholders, stakeholders, and parties associated with the company on the other. This makes a positive expected discipline that reflects on several levels, the most important of which is the contribution of corporate governance to raising the level of efficiency of the economy, due to its importance in helping to stabilize financial markets, raise the level of transparency and attract foreign and domestic investments.

Implementing governance principles will help companies create a healthy working environment, which will help achieve better performance with good governance. Good governance helps companies access capital markets and obtain the necessary financing at a lower cost, which will also help in companies' growth, development, performance at the economic level. This will definitely contribute in the expansion of its activities, reduce risks, and build confidence in stakeholders. In terms of investors and shareholders, corporate governance also aims to protect investments from loss due to misuse of power that works against the benefit of investors. It also aims to maximize investment returns, shareholders' equity and investment value, as well as reduce conflicts of interest, considering the companies' commitment to implementing governance standards will activate the role of shareholders in participating in key decisions related to the management and knowing everything related to their investments. It also has a vital role in building a close and strong relationship between the management of the company and its employees, suppliers, creditors and others.

As a result, the rules and foundations of corporate governance have become one of the most important topics on the level of the world economies. It is also considered one of the most important element especially in promoting success and economic and regulatory reform in the light of globalization and the openness of the economies of countries to each other and the fierce competition in the markets under conditions established by international organizations and institutions to accept membership applications or cooperation with different institutions and markets of countries from all over the world. The application of these rules and principles has become an important slogan for both the public and the private sector, a mean of enhancing confidence in the economy of any country, evidence of fair and transparent policies and rules for the protection of investors and clients, and an indication of the level that is reached by the this country with regards to governance, transparency, accountability, and corruption reduction. This will increase the attractiveness and competitiveness of the economy to domestic and foreign investments.

In light of this, and in line with the general development of the economy in different countries around the world, this code, which contains rules for the governance of companies listed in the Arab financial markets, has been prepared with the aim of establishing a clear framework that governs relations and management therein, achieves objectives of the company (i.e. any company) and preserves the rights of parties with related interests.

These rules are mainly based on the responses of Arab countries on the survey related to corporate governance in the Arab financial markets. The survey was conducted on these countries in accordance with their various legal systems. Although many of these rules were based on legal regulations contained in the legislation of the countries participating in this study, a number of other aspects and requirements addressed by these rules were not elaborated to leave the necessary detail to this general rule, to the legal organization of each country.

It is hoped that these rules will contribute in reducing the obstacles faced by Arab countries in applying the rules of governance. The most important and known obstacles is the failure to pay sufficient attention to spreading the culture of the importance of implementing the rules of governance among listed companies and the benefits of applying these rules. In addition to the lack of familiarity of some companies with the rules of governance and its concept accurately, especially by the Board of Directors of the company, and its role in improving the level of the company's performance and its managers and employees in general. As well as cases that has no mandatory instruction to comply with some rules of governance in accordance with the rule of «commitment or interpretation» which resulted in having many listed companies that do not abide by the application of these rules due to the absence of penalty in the case of non-application or application. This also contributed in the pursuit of these companies to comply with the governance rules in terms of formality without objectivity, which emptied the governance rules of its content, and greatly reduced the positive return desired in this regard.

The cost of adopting the governance rules in many companies, especially small and medium ones, whether in terms of establishing committees, appointing independent members, creating internal auditing departments, etc., is not commensurate with the financial position and affordability of these companies, in addition to the limited human resources that are specialized in examination and auditing in these companies.

This code is based on seven rules that establishes a general reference for corporate governance worldwide. The most prominent rules are the following:

1. The company's general assembly and the protection of shareholders 'rights: The corporate governance framework must ensure the protection of all shareholders' rights equally by following a series of issues. Primarily encouraging shareholders to attend the general assembly meeting of the company, the company's role to overcome any obstacles that works against shareholders attendance procedures of these meetings, in addition to the company's commitment to avail the use of various electronic means and communication systems, and provide the regulatory authorities with decisions resulted by these meetings, whether ordinary or extraordinary, immediately after its completion, which will ensure making the information available to all the shareholders of the company equally.

2. The Board of Directors: The regulatory framework for corporate governance, should consider that the majority of the board of directors are non-executive directors including independent members, as well as their responsibility for setting strategic objectives for the company, and approving plans and policies that dominate the business process. Ensure effective follow-up of their important role in the management of the company, ensure accountability and accountability by the shareholders of the company, as well as the commitment of board members to enable the shareholders of the company to stand on the level of performance of the company, through the annual report presented to them before the company's General Assembly Meeting.

3. Committees of the Board of Directors: The rules adopted for corporate governance shall have the power to establish and form committees of its members that helps in their role performance, and make the necessary recommendations (each committee in its field of work). In addition to the formation of each committee and the number of its meetings during the year should be periodically disclosed.

4. Investment institutions: Stock markets and other intermediary financial institutions, should have a general framework of corporate governance, and provide the economic incentives

for the institutional investor and various parties in the financial markets.

5. Internal audit: The corporate governance framework must emphasize the role of the company’s internal audit department as it is responsible for developing the company’s administrative structure plan and all related means or standards used within the company to preserve its assets. This will help increase the productive efficiency of the company and achieve its objectives at the lowest costs.

6. The auditor: It is important that corporate governance framework provide the conditions and qualifications that must be met when appointing an auditor. The auditor should be completely independent in view of his role in preparing a report of his observations on the report prepared by the company declaring its commitment to the principles and rules of corporate governance.

7. Avoiding conflicts of interest: The corporate governance framework should recognize the rights of stakeholders and encourage effective cooperation between the company and its stakeholders.

Definitions

Definitions

Executive Board Member	A member of the Board of Directors who is also a member of the executive management and participates in the daily affairs of the Bank and earns a monthly or yearly salary in return.
Non-Executive Board Member	A member of the Board of Directors who provides opinions and technical advice and is not involved in any way in the management and does not receive a salary other than what he receives for his membership in the Board of Directors. He should not provide any advice or paid services to the company, its subsidiaries or associated parties.
Independent Board Member	A member of the Board of Directors who enjoys complete independence. By way of example, the following shall constitute an infringement of such independence: A member of the Board of Directors who does not have any financial or material interest or any relationship or other interest with the company or any of its senior management personnel or any affiliate or subsidiary company or the external auditor of the company, that may constitute a suspicion of having any physical or moral benefit and lead to influence his decisions or to the exploitation of his position in the company, other than its contribution in the company. The independence of the board of directors' member shall cease if: 1. The Board member during the preceding three years, has worked for the Company or any affiliate or subsidiary company. 2. If one of his relatives works or has served as a member of the Board of Directors or Senior Executive Management of the Company or any affiliate or subsidiary company during the last three years preceding the date of his candidacy for membership of the Board of Director 3. If he or any of his relatives has a direct or indirect interest in the contracts, projects and engagements that are held with the company or any affiliate or subsidiary company, which are equal to or exceed the value of a specific percentage of the company's assets according to the latest financial statements. 4. If the Board member or representative of a legal member or a relative is a partner to the external auditor of the company or his employee, or if he was a partner or employee of the external auditor during the last three years preceding the date of his candidacy for membership of the Board of Directors. 5. If one of his relatives is a major shareholder whose ownership constitutes 5% or more of the Company shares.

Stakeholders Any person who has an interest in the Company, such as employees, customers, suppliers, distributors, creditors and regulators.

Insiders A person who has access to internal information by virtue of his position, including members of the Board of Directors of the Company, senior managers, members of the boards of directors of its affiliated companies and relatives of the parties referred to herein, as well as anyone who is able to obtain or access any of the company's internal information.

Related Parties All those who have a direct or indirect relationship with the Company that allows them to influence the Company's decisions, whether that relationship is through their positions in the Company or the associated companies or having an effective percentage of the Company's or associated companies' shares. They are mainly:

1. The board of directors members and the Company senior executive management.

2. Members of the Board of Directors or Senior Executive Management of the associate and subsidiaries companies.

3. Any person who owns 5% or more of the Company shares or one of its associates and subsidiaries companies.

4. Relatives and partners of the referred parties above.

5. Associate and subsidiaries of the company.

6. Employees saving funds.

7. Joint projects and facilities of the company (Joint Ventures).

8. Companies controlled by members of the Board of Directors and senior executive management and their relatives.

Related Party Transactions Any transactions or contracts that exceed a certain percentage of the Company's assets according to the latest financial statements concluded between the Company and any of the related parties.

Cumulative voting Is a voting method used in the General Assembly allowing each shareholder a number of votes equal to the number of shares he holds so that he can vote for one candidate or distribute them among chosen candidates without repeating these votes, giving a greater opportunity to represent small shareholders in the Board of Directors.

Chapter I

General Assembly of the Company and the protection of shareholders' rights

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Rule 1: General Assembly

1. The general assembly of the company shall consist of all the shareholders who are entitled to vote each according to his proportion of shares.

2. The General Assembly shall be convened by the Board at least once a year during the four months following the end of the Company's financial year. The Board of Directors shall also invite a General Assembly to convene pursuant to a request of the auditor or a number of shareholders whose shareholdings represent a fixed percentage of the Company's equity share capital.

3. The invitation to shareholders should be sent well in advance, including the topics to be discussed in the meeting in a detailed and clear manner, as well as any information, documents or attachments related to those subjects that enable shareholders to make their decision including the Board of Directors, Auditors and Financial reports.

4. Arrangements shall be made for facilitating the participation of the greatest number of shareholders in the General Assembly, including inter alia determination of the appropriate place and time.

5. Shareholders should have allowed the opportunity to effectively participate and vote in the General Assembly meeting and they should be informed about the rules governing the meetings and the voting procedures.

6. The company can use electronic means and different communication systems to allow broadcasting or recording the meeting for the shareholders abroad or at home.

7. The shareholder candidate for the Board of Directors membership shall send his biography before the end of the company's financial year preceding the year in which the meeting of the General Assembly shall be held to elect the Board of Directors. In this case, the Company's Board of Directors shall attach this biography to the shareholders' invitations to attend the General Assembly meeting.

Rule 2: Functioning of the General Assembly

1. The Company should avoid any action that may impede the right to vote during the assembly meeting. Arrangements shall be made for facilitating the voting procedures.

2. Shareholders may vote in person or by proxy or through electronic voting and have the same rights regardless of the voting method.

3. All categories of shareholders shall have the opportunity to hold the Board accountable for their assigned tasks.

4. Ensure that the members of the Board of Directors may not obtain proxy from the shareholders to represent them in the General Assembly meetings.

5. The General Assembly secretary and the votes sorter should not be appointed from the General Assembly or Board of Directors members.

6. The Company shall disclose fully and adequately the contents of the Assembly agenda.

7. Matters presented to the General Assembly shall be accompanied with sufficient information to enable shareholders to make decisions, the Board of Directors or the external auditor shall answer the questions raised by shareholders

8. Voting on the General Assembly resolutions shall be strictly recorded. In the event of any dispute about the validity of some votes on all or some of the resolutions, the matter shall be submitted to the competent administrative or judicial authority.

9. The Secretary of the Assembly shall draft the minutes of the General Assembly meeting to include all discussions, events and decisions.

10. The Company shall disclose the decisions taken during the General Assembly meeting. The minutes of the meeting shall be published on its website and made available for the public.

11. The listed company shall submit the General Assembly's resolutions to the Regulator and the Stock Exchange immediately by the end of the meeting, and at the latest before the start of the first trading session following the end of the meeting.

12. In the case of transactions with related groups and related parties or netting contracts, the Board of Directors must obtain prior approval from the General Assembly for such transactions or contracts in order to avoid conflicts of interest, specifically with major shareholders, directors or other related companies.

Rule 3: Shareholders' Rights Related to the General Assembly Meeting

1. Voting is deemed to be a fundamental right of a shareholder, which shall not, in any way, be denied. The Company must avoid taking any action which might hamper the use of the voting right.

2. The General Assembly shall be held at least once a year during the four months following the end of the Company's financial year.

3. The date, place, and agenda of the General Assembly shall be specified and announced by a notice in accordance with its Memorandum of Association, and to publish the invitation on the Stock Exchange website or the company's website.

4. Shareholders shall be allowed the opportunity to effectively participate and vote in the General Assembly and they shall be informed about the rules governing the meetings and the voting procedures.

5. Provide all information enabling shareholders to fully exercise their rights. Such information must be adequate and accurate enough to enable shareholders to make decisions, such information should be available to shareholders in a regular and timely manner.

6. Shareholders shall be entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the board members and to the external auditor. The Board of Directors or the external auditor shall answer the questions raised by shareholders.

7. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase.

8. Protect the minority shareholders' rights from exploitative practices or for the major shareholders benefit.

9. Elimination of constraints related to remote electronic voting.

10. During the General Assembly, the cumulative voting method shall be followed for the election of the board of Directors members.

11. A shareholder may, in writing, appoint any other shareholder who is not a board member and who is not an employee of the company to attend the General Assembly on his behalf.

12. Provide an overview of the nominated persons for membership of the Board of Directors prior to the vote, allowing the shareholders to obtain a clear idea about the candidates qualifications and experiences.

Rule 4: Shareholders’ general rights

1. Record the shareholders ownership including information on their contributions, their names, number of shares, any restrictions or appropriations on ownership, and any changes that may occur.

2. share in the profits of the company.

3. Share in the Company’s assets upon liquidation.

4. The opportunity to participate effectively and vote in general shareholder meetings.

5. A Shareholder shall be entitled to all rights attached to a share, the right to supervise the Board of Directors activities, file responsibility claims against board members, and the right to inquire and have access to information without prejudice to the company’s interests.

6. All shareholders of the same series of a class should be treated equally, the company shall not at any time withhold any rights of shareholders.

7. The Company’s Articles of Association and by-laws should specify the procedures and precautions that are necessary for the shareholders to exercise all of their lawful rights.

8. All information which enable shareholders to properly exercise their rights shall be made available and such information shall be comprehensive and accurate. It must also be provided and updated regularly and within the prescribed times.

Chapter II

Board of Directors

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Board of Directors

Rule 1:Formation of the Board of Directors

1. The Board of Directors shall be composed of an appropriate number of members commensurate with the size and nature of the Company's activities, and the Board functions and responsibilities. The composition of the Board shall ensure the diversity of specialized expertise and skills to enable the Board to carry out its functions and duties, including the composition of its committees.

2. The majority of the Board members shall be non-executive, including independent members not less than one-third of the Board members, and have technical and analytical skills to enhance the Board efficiency and the Company performance.

3. When electing the board members, including independents and non-executives, a member should be able to allocate adequate time and attention to the company and has no conflict with other interests.

4. Sufficient information, data and explanation about the Company shall be provided to the new Board members upon their appointment in order to be familiar with the company's general aspects, strengths and weaknesses, its administrative structure and budget elements, and all information that enables them to carry out their work effectively and to the fullest possible extent. The Board Secretary acts as a link between the members and between the Board of Directors and the senior management of the Company.

5. The Board of Directors shall elect the President of the Board and appoint the Executive Director or Managing Director.

6. The Board of Directors shall ensure the necessary administrative and technical expertise, and competence of the executive management personnel to carry out their duties.

7. The positions of the Board's Chairman, the General Manager, the Managing Director or any other executive position shall not be combined.

8. A board member shall represent all shareholders and should be committed to the interests of the company, taking into account their rights and interests not only the group of shareholders he represents or voted on his appointment.

9. The Board shall develop policies and mechanisms to allow continuous training to Board members and Executive Management

10. The Board should develop mechanisms and methods to evaluate its performance and the top Executive management, and the performance of each board member and executive management.

Rule 2: Meetings of the Board of Directors

1. The Board of Directors shall convene at least once every two months, with the possibility of using those whom the Board deems appropriate from within or outside the company to discuss some issues related to the company.

2. The company annual report and the board of directors report shall disclose the number of meetings and the names of the members who were absent in the board or the committees meetings. The member shall not be absent from more than one third of the board of directors' meetings in a year. Meetings should be convened in dates and in accordance with arrangements that facilitate the members to attendance.

3. Decisions of the Board of Directors shall be issued by the absolute majority of the present members.

4. The members of the Board of Directors shall be provided with the Board agenda, with the necessary documents, well in advance of the meeting date.

5. The Board shall appoint a Secretary to organize the meetings logistics including the invitations, the meetings minutes and decisions, the list of present members present and any reservations they express.

6. The Board of Directors may hold its meetings using modern means of communication such as videoconference as per the Company's Bylaws. The Board shall establish controls on the use of such means and the participation of the members remotely during the meetings.

Rule 3: Functions and Responsibilities of the Board of Directors

The Company Board of Directors is responsible for managing its affairs and ensuring the achievement of its strategic objectives at the request of the General Assembly. Therefore, the Board of Directors is the ultimate responsible for the company, even if it has formed committees or delegated other parties or individuals to do some of its functions. The Board is held accountable for the management of the company by the General Assembly.

The most important duties and responsibilities of the Board of Directors include:

1. Developing comprehensive strategies and policies for the Company, including planning and procedures to achieve the company's interests and objectives, and maximize the shareholders' rights and serve the local community.

2. Develop the necessary procedures to ensure that all shareholders obtain their rights and are treated fairly.

3. Monitoring the performance of the executive management and establishing rules and regulations for internal oversight, including the development of a written policy to regulate conflicts of interest, ensure the integrity of financial systems, apply appropriate risk management systems, regulate the relationship with stakeholders, and develop professional code of conduct for executive management and employees to ensure the optimal application of the governance rules.

4. Adopting professional policies and standards to be followed by the employees in a way that reflects on their performance and behavior.

5. Establish mechanisms and regulations to ensure that all employees comply with the company's internal laws, covenants and policies. The Board is responsible for establishing an early warning system to detect any defect or deviation that may occur and ensure a prompt action. Such a system should include procedures to protect information sources and whistleblowers on corruption and deviation.

6. Develop a transparent process for the nomination and election of the Board of Directors.

7. Meeting with the executive body of the company to discuss its affairs, either in the presence of or without the Executive members of the Board. The coordination should be through the Secretary of the Board of Directors to schedule the meetings and provide the issues to be discussed.

8. Developing a training plan for the Board of Directors members, the plan shall include the

thought and culture of corporate governance to enhance the performance of the Board and its committees, while monitoring the measurement of the efficiency of the company's practice of corporate governance rules and applying the needed adjustments.

9. Determining the powers delegated to one of its members, committees or others, specifying the duration of the mandate and the periodicity of the reports received from the committees and executive management, and follow up the results of the exercise of those delegated powers.

10. Request an external consultant opinion on any issue of the company once approved by a majority of the Board members, subject to the provisions of avoiding the conflicts of interest, noting that the use of the external consultants does not exempt the Board members from their responsibilities.

11. Develop preventive measures, tools and mechanisms to secure the information flow and monitor the data accuracy and integrity within the company, and protect the company from manipulation and penetration, either from inside or outside.

12. Develop policies and procedures to ensure the disclosure of information and data, the integrity of financial and accounting reports, and the independence of audit in the company.

13. Appoint a secretary of the Board of Directors who has competence and experience in all the company's duties. The Board may also establish an organizational unit for the secretariat according to the Company size and needs.

14. Granting incentives, rewards and benefits for the Board members and the executive management in a manner that helps to achieve the company's interests, goals and objectives.

Rule 4: Report of the Board of Directors

The Board of Directors shall prepare an annual report on the Company performance, along with the auditor's report and the annual financial statements, to be sent to the shareholders before the General Assembly in sufficient time.

The report should include the following at a minimum:

- Financial results and core issues.
- The Company's main achievements during the year.
- Analysis of the Company's work environment and main markets.
- The Company strategy and future expectations.
- Risks facing the Company.
- Major changes in the company's administrative structure.
- The composition of the Board of Directors and the number of meetings.
- The composition of the Board committees and the number of meetings.
- The average number of employees during the year and the employee average income during the same period.
- Reward and employees motivation policies in the company.
- Actions taken against the company or its Board of Directors or Directors by regulatory or judicial bodies.
- Report on the company's commitment to corporate governance and social and environmental responsibility.

Rule 5: Committees emanating from the Board of Directors

1. The Board of Directors shall form an appropriate number of committees from its non-executive and independent members according to the company's need and circumstances, in order to perform effectively.

2. The formation of the committees subordinate to the Board of Directors shall be according to general procedures laid down by the Board, indicating the duties, the duration and the powers of each committee, and the manner in which the Board monitors its activities, as well as the renumeration of its members in line with legislation and regulatory directives

3. Each committee shall consist of at least three members, two of whom shall be independent members and one shall chair the committee. The Committees should present their reports and recommendations to the Board for appropriate decisions.

4. The Committees shall inform the Board of its findings and recommendations with complete transparency. The Board shall periodically pursue the activities of such committees so as to ensure that the activities entrusted to those committees are duly performed.

5. The committees may request external consultants to assist them in performing their duties at the Company's expense, taking into account the Board approval in advance, and avoiding the conflicts of interest.

6. The Company's annual report and website shall include a brief presentation on the formation of each committee and the number of its meetings during the year. The heads of committees should also attend the general assembly meetings.

Following are the most important committees of the Board of Directors:

a. The Audit Committee:

The Audit Committee shall be independent and composed of non-executive and independent Board members, including a specialist in financial and accounting matters. The committee mainly supervises and oversights the accounting and auditing activities of the company, including the following:

1. Review the internal audit procedures and prepare a written report on any recommendations.

2. Review the interim and annual financial statements prior to presentation to the Board of Directors and provide opinions and recommendations with respect thereto.

3. Review the accounting policies in force and advise the Board of Directors of any recommendations regarding them.

4. Recommend to the Board of Directors the appointment of auditors and upon any such recommendation, regard must be made to their qualifications, competencies and independence. The Ordinary General Assembly is responsible for the appointment.

5. Review the auditor's audit plan and make any comments thereon.

6. Review the auditor's comments on the financial statements and follow up on required actions…

7. Ensure the company compliance with the applicable laws, legislations, and regulations.

8. Recommend that the Auditor conduct additional non-audit operations and recommend approval of the accounts receivable in proportion to his annual fees.

9. Discuss and approve the annual plan of the Internal Audit Department and ensure the efficiency of its work and that the audit process covers all the departments and activities of the company.

10. Review the internal audit reports to identify the causes of deficiencies in the company and follow up the corrective actions.

11. Analysis and evaluation of the early warning systems in the company and proposal of improvements to increase the systems efficiency.

12. Analysis and evaluation of the information and data security systems, and protecting these systems from any internal or external breakthroughs.

13. Evaluate the effectiveness and integrity of the internal control system periodically, and submit recommendations to the Board of Directors thereon.

14. Review the regulatory authorities' observations and irregularities, and follow up on them.

15. Invite the company's auditor or the head of the internal audit department or whoever

from inside or outside the company to attend its meetings whenever the need arises.

16. Carry out and follow up any other duties assigned by the Board of Directors.

b. Nomination Committee

The Committee mainly undertakes the following:

1. Periodic and continuous review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of required capabilities and qualifications for such membership, and the implementation of the power succession plan.

2. Determine the responsibilities of Board members (executive, non-executive and independent) and develop the job description for the company's senior executives and employees and terms of appointment.

3. Develop the HR and training policy in the company and review it annually.

4. Periodically verify the independence of independent members and ensure there is no conflict of interest.

5. Determine the strength and weaknesses of the Board of Directors and recommend remedies that are compatible with the Company's interests.

6. Prepare a periodic report on its results and recommendations to be submitted to the Board of Directors for necessary action.

c. Remuneration Committee

The Committee mainly undertakes the following:

1. Establish clear policies for the compensation and remuneration of the Board members, management, committee members and senior executives in line with the performance criteria. these policies should be reviewed annually based on the necessary studies and surveys

2. Prepare a detailed annual report on all Board members and senior executives benefits and allowances to be presented in the General Assembly.

d. Risk Management Committee

The Committee mainly undertakes the following:

1. Develop the executive frameworks, procedures and rules adopted by the Board to deal with all types of risks that the Company may face such as strategic risks, operating risks, market risks, credit risks, reputation risks, information systems risks, data protection and all types of risks that may affect the Company's activity and sustainability.

2. Assist the Board in developing risk management policies and strategies, identify and assess the risk level that the Company may accept, and ensure that the Company does not exceed this limit of risk.

3. Supervision and verification of the risk management unit effectiveness in the implementing its duties, and ensure that the duties are done within the limits of the assigned terms of reference.

4. Ensure the independence of the Risk Management Unit employees from the activities that may expose the Company to risks, and their full awareness of the risks surrounding the company.

5. Prepare a periodic report on its results and recommendations to be submitted to the Board of Directors for necessary action.

e. Governance Committee

The Committee mainly undertakes the following:

1. Periodic evaluation of the company's governance system and drafting the internal guidelines, charters and policies on ways to implement corporate governance rules.

2. Prepare an annual report on the company's commitment to the rules of corporate governance, and develop the appropriate procedures to implement these rules.

3. Review the company's annual report and the board of directors' report, particularly regarding disclosure and other subjects related to corporate governance.

4. Preservation, documentation and follow-up the reports on evaluating the Board

performance.

5. Review the regulatory authorities' observations regarding the extent of commitment to corporate governance, and follow up on them.

f. Other committees

The formation of other committees subordinate to the Board of Directors shall be according to general procedures laid down by the Board, indicating the duties, the duration and the powers of each committee, and the manner in which the Board monitors its activities.

These committees include, for example:

1. Executive committee

Usually in financial institutions, and can be formed in all types of companies as needed. It consists of executive board members and senior executives, and is responsible for following up the daily duties. The Board of Directors monitors and evaluates its performance periodically to ensure its effectiveness.

2. Investment Committee

Usually formed in financial institutions and can be formed in all types of companies as needed. It consists of Board members and senior Executive, the role of the committee is to assist the Board in identifying and investing the returns and savings of the Company or its clients in investments that generate the best return in accordance with the investment policy approved by the Board of Directors.

3. Social Responsibility Committee

Carry out recommendations to the Board on ways of commitment to social responsibility toward the community and the environment, thereby ensuring the long-term sustainability of the company and strengthen its relation with the community.

4. Safety and Occupational Health Committee

Usually formed in industrial companies and are responsible for monitoring and following up the implementation of the occupational safety and health recommendations for employees in the company's factories and field sites.

5. Environmental Protection Committee

Responsible for environmental policies to be followed by the Company in the context of preserving the environment.

Chapter III

Institutional investors, stock exchanges and financial services companies

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Institutional investors, stock exchanges and financial services companies have an important role in rationalizing and strengthening corporate governance practices, for example they can have an important role in:

1. Institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights. In addition to any conflict of interest that may affect these investments.

2. Votes should be cast by custodians in line with the directions of the beneficial owner of the shares.

3. Institutional investors financial services companies and investment funds acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the independence of their investment decision.

4. Financial services companies providing advisory services to investors should disclose any conflicts of interest that may affect the integrity and independence of their advisory services.

5. Develop a clear policy to deal with internal information, avoid manipulation and illegal market practices, separate tasks and prevent leakage of information for tasks leading to conflicts of interest.

6. Institutional investors, stock exchanges and financial services companies must prevent internal and all illegal transactions in financial markets.

7. Financial markets and stock exchanges should provide all information related to prices and performance indicators to enable investors follow their investments and make decisions.

8. Develop a clear policy to identify and manage conflicts of interest in order to achieve beneficiaries and customers interests.

Chapter IV

Disclosure and Transparency

Chapter IV

Disclosure and Transparency

1. The Company is required to develop written work procedures in accordance with the disclosure policy adopted by the Board of Directors to regulate the disclosure of information and follow up its application in line with the requirements of the regulatory bodies and the legislation in force.

2. The Company shall provide disclosure information to shareholders and investors in an accurate, clear, and avoid misleading manner at the specified times, in accordance with the regulators requirements and the applicable legislation to enable them make their decisions. Including disclosures relating to:

- Periodic reports.
- Material information.
- The number of securities issued by the company and owned by each of the Board of Directors' members, senior executive and their relatives.
- Transactions with related parties.
- Details about the benefits and compensation paid to each of the Board members and the senior executive management.

3. The Company shall organize its accounts and prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS).

4. The Company shall use the information technology means and its website to promote disclosure, transparency, provide information and communicate with shareholders in particular, stakeholders and the public.

5. The Company shall disclose its policies and programs towards the local community and the environment.

6. Insider shall not disclose internal information related to the company other than to the competent authority or judiciary. The securities issued by the company may not be traded on the basis of internal information or the exploitation of internal or confidential information for material or moral gain.

7. The company should establish a unit regulating the investors affairs and providing the necessary data, information and reports to the shareholders and investors.

Chapter V
Internal Control

Chapter V

Internal Control

Rule 1: Control and Internal Audit Unit

The Company shall take the necessary steps to ensure internal control over the Company, including the establishment of a special control and internal audit unit whose main functions shall be:

1. Ensure the compliance with the applicable legislation and the requirements of the regulatory bodies, including the rules of corporate governance, internal regulations, policies, plans, procedures and instructions set by the Board of Directors.
2. Determining the responsibilities and the complete separation between the responsibilities, tasks and procedures aiming to prevent conflicts of interests, so it should be taken into account while establishing the company organizational structure.
3. Ensure the correct and accurate information about the company.
4. Protect the Company's physical assets from risks and save these assets in the company records.
5. Increase the production efficiency of the company and achieve its objectives at the lowest cost.

Rule 2: Risk Management Unit

The Company shall establish a competent Risk Management Department, whose main functions are to identify, measure and monitor the risks to which the Company is exposed and to establish effective systems and procedures for risk management and mitigation of its impact.

Chapter VI
External Auditor

Chapter VI

External Auditor

1. The appointed auditor shall comply with the conditions stipulated in the relevant legislation, including efficiency, reputation and sufficient experience, and commensurate with the size and nature of the company's activity.

2. The appointment of the auditor by the General Assembly as per the nomination of the Board of Directors based on the recommendation of the Audit Committee for one year renewable for a period not exceeding four consecutive years and may be re-assigned to audit the accounts of the company after two years at least.

3. In accordance with the International Auditing Standards, the auditor must be independent.

4. The auditor should be completely independent from the Company and its Board of Directors, for example, the auditor should not be a founding member, a shareholder or a member of its Board of Directors, a relative of any member of its Board of Directors or senior management up to the second degree, a partner of a Board member or an employee thereof, or to perform any technical, administrative or advisory tasks on a permanent basis. The Auditor must be impartial in his opinions and must be immune to the intervention of the Board of Directors.

5. The Board of Directors should not appoint the Company's auditor to perform any additional duties that are not related to his work as an auditor directly or indirectly, unless the Audit Committee approves it, provided that such additional work is not prohibited to the auditor.

6. An Auditor's employee should not be appointed as a senior executive in the company unless at least one year has elapsed since leaving the audit of the company's accounts.

7. The Audit Committee shall, when considering the approval of the Auditor's performance concerning the additional work and determining its fees, take into account to not affect his independence and disclose it in the General Assembly and in the Annual Report.

The auditor’s most important duties include the following:

1. To exercise his functions independently and impartially.
2. Oversight the company’s business.
3. Audit the company’s accounts in accordance with the international standards.
4. Examine the Company’s administrative, financial and internal control systems, evaluate their effectiveness and ensure their suitability for the proper functioning of the company and the preservation of its funds.
5. Verify the ownership of the Company’s assets and the legal obligations incurred by the Company.
6. Attend the company’s General Assembly.
7. Answer the shareholders questions and queries regarding the financial statements and the closing accounts during the General Assembly.
8. Evaluate the fairness of the financial statements and if there is any impact on their fairness, request an amendment.
9. Report any violation of the legislation in force or any financial or administrative matters with a negative impact on the situation of the company towards the competent authorities.

Chapter VII
Conflict of Interests

Chapter VII

Conflict of Interests

1. The Board of Directors should have a specific conflict of interests policy that includes identifying and handling conflict of interests.

2. A Board member should not have any direct or indirect interest in the business and contracts made for the Company’s account without prior authorization from the General Assembly, which is renewed every year.

3. The company shall not provide any kind of cash loan to the Board Chairman or member or any of their relatives. Except banks and financial companies that may, within their objectives, lend to any of those in accordance with the terms, and it should be disclosed in the Company’s annual report.

4. The Board Members shall disclose any material interests, transactions or pertaining matters that would affect the Company’s activity or interests. The member shall also abstain from voting on conflict of interests.

5. A Board member - without a prior authorization from the General Assembly renewed each year - should not participate or contribute in any work that would compete with the Company. Conflict of interests should be disclosed even if such transactions are not carried out.

6. The Board of Directors sets standards to control the related parties transactions without prejudice to the interests of the company and preserve the rights of its shareholders.

7. The Board of Directors should develop procedures to prevent insiders from exploiting confidential internal information for material or moral gain.

Related Parties Transactions

The Company shall not trade seal or transactions with related parties, amounting to a certain percentage of the company's assets, according to the latest financial statements of the company without the approval of the Board of Directors and the General Assembly,. The related party may not vote on the decision of the Board of Directors and the General Assembly.

Rights of stakeholders

1. The Board of Directors sets a policy to regulate the relationship with the stakeholders to ensure effective cooperation, implementation of the company's obligations towards them, the preservation of their rights, the provision of the necessary information and the establishment of good relations with them.

2. The corporate governance framework should recognize the rights of stakeholders established by law.

3. stakeholders should have the opportunity to obtain effective redress for violation of their rights.

Social Responsibility

1. The Social Responsibility is one of the most important means to show the company's positive contribution to achieve sustainable development of the society in which it operates and its keenness to limit any negative impacts of its activities on it, the environment and the national economy.

2. The Board of Directors should develop a clear strategy to deal with the social responsibility requirements, and the executive management has to draw up an action plan for the implementation of this strategy.

3. In its annual report, the Company should disclose the activities carried out in the area of social responsibility.

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