



هيئة قطر للأسواق المالية  
*Qatar Financial Markets Authority*

# **Corporate Governance Code**

**for Companies Listed  
on the**

**Venture Market**

*This is a translation of the Official Arabic version of Corporate Governance*

*Code for Companies Listed on the Venture Market  
. In case of any discrepancies, the Arabic version shall prevail.*

## **SECTION I**

### **PREAMBLE, DEFINITIONS, AND SCOPE**

#### **Preamble:**

This Code has been developed for Shareholding Companies listed on the Venture Market (the CG Code, or this Code). This Code comprises principles and practices to improve the governance system especially at the Board level, which is a pre-requisite for improving the performance of any company. The CG Code has been drafted with taking into account the best international practices for Corporate Governance, including but not limited to those developed by the Organization for Economic Co-operation and Development (OECD), the Bank for International Settlements (BIS), the International Corporate Governance Network (ICGN) and the International Institute of Finance (IIF), adapting those provisions to the applicable laws in the State of Qatar, including the Commercial Companies Law and Securities Market Regulations.

The OECD defines Corporate Governance as “the system according to which business corporations are directed and controlled. The corporate governance rules specifies the distribution of rights and responsibilities among different stakeholders in the corporation, such as, the Board, managers, shareholders and other stakeholders, and lays down the rules and procedures for decision-making on corporate affairs. The OECD principles and the other codes broadly deal with six elements of corporate governance:

1. Regulatory environment;
2. Shareholders' equity
3. Equal treatment of shareholders;
4. Stakeholders' role;
5. Disclosure and transparency
6. Responsibilities of the Board members.

The Principles of Corporate Governance issued by the OECD in 2004 focus on corporate governance as one of the essential pillars for

managing the risks encountered by stakeholders in companies especially ordinary shareholders (such as: risks of inaction and underperformance, and pursuance of personal benefits by the board members and the executive managers in the company).

When a Shareholder (natural or legal) buys shares in a company, he/she expects to get revenues for the shareholding in the company's capital, mostly in the form of dividends, bonus shares or both. However, the levels of dividends and bonus shares or both depend on the company's performance and to what extent it has been, and will be successfully and honestly managed. That depends mainly on the behavior of those whom the Shareholders elected to manage the company on their behalf; i.e. the members of the Board of Directors.

Through Assembly General Meeting, shareholders delegate to the Board of Directors the power to manage the company on their behalf because it is practically impossible to manage the company by all Shareholders. The Board members on their part delegate taking day-to-day decisions to Executive Managers.

This delegation of powers generates asymmetries of company control, information and opportunities. Executive Managers have more control over the management of the company than the Board members and Shareholders and they have, as well, more information about the plans and operations of the company than the board members and Shareholders. Board members have more powers to control the plans and operations of the company than those of the Shareholders. Therefore, the Board members and Executive Managers take over extensive administrative powers and availability of affecting company information, which could generate opportunities for using such powers and information for obtaining personal benefits at the expense of Shareholders.

Executive Managers are supposed to prepare and propose the Company's operation plans to the Board of Directors for review and scrutiny, and to implement those approved by the Board. The Board is also supposed to monitor closely the implementation of such plans and hold Executive Managers accountable for performance results. Nevertheless, if the Board appoints unqualified executives and managers or fails to scrutinize plans properly or monitor performance

effectively and hold the Executives accountable, the Executives might prepare bad plans or shirk their responsibilities by refraining to work actively or effectively and efficiently to produce good results. Therefore, in order to manage the said risks, shareholders should elect competent Board members, monitor their performance closely, and hold them accountable, moreover, the Board of Directors on its part should select and appoint qualified persons in the top executive management positions and monitor their performance closely and hold them accountable for underperformance.

In addition to the risks of underperformance and shirking responsibilities, lax monitoring by the shareholders or board members may encourage dishonest behavior by Executive Managers and obtaining personal benefits at the expense of Shareholders such as:

- Executives might employ their unqualified relatives and friends in the company's top positions at extravagant wages;
- Executives and Board members might gain exaggerated benefits as high salaries, allowances, bonuses and other benefits;
- Executives, Board members and major Shareholders, might, directly or indirectly, enter into commercial transactions with the company at terms less favorable than the market terms with respect to prices, or quality or terms of payment etc.;
- Insiders who possess influential information not yet disclosed to the public about the plans and operations of the company, might use such information to buy or sell the company's shares and make massive gains or avoid heavy losses at the expense of other Shareholders;
- Some Executives or Board members might collude with major shareholders to exchange benefits and ensure mutual protection at the expense of the rest of Shareholders;
- Some decision makers of Executives or Board members in the company, might conceal information from the shareholders or provide misleading information to cover-up underperformance or to gain personal benefits;
- The external auditors might fail to do their job properly in reviewing and verifying the information provided by the management, if they have private non-audit interests in the company, or if they want to cover-up mistakes they made before

or if they are biased to Executives or Board Members because of a commercial, social or professional relationship with them.

Therefore, based on the foregoing, the main objective of this Code is to make investors aware and to remind them constantly of such risks, and propose measures to manage the above risks effectively and to reduce the prospect of their occurrence, Qatar Financial Markets Authority expects that the investors' awareness of the above risks shall enable them to observe the compliance with the measures proposed in this Code efficiently in companies where they have shares and hold the board of directors accountable in the General Assembly Meeting in case of non-compliance and to get convincing answers.

This code addresses some aspects that need to be regulated in the applications of governance and in particular provides a comprehensive corporate governance framework for the companies listed on the venture market. This code also deals with the composition and structure of the Board of Directors, its duties and responsibilities and the appointment of its Secretary. The Code contains the main principles to protect the rights of shareholders especially minority shareholders and stakeholders. It also covers how to form a number of important committees constituted by the Board of Directors with emphasizing on that the Board's delegation for some powers to the said committees does not absolve the Board members from their responsibilities. These principles focus on strengthening the internal controls in the company. This Code also provides for how to activate the application of the requirements contained therein. In particular, the Code addresses a number of important issues such as but not limited to:

- Applying the “One-share, One-vote” principle without exception among shareholders, irrespective of the number of shares they own;
- Requesting shareholders' approval on capital changes or any transactions of acquisition, merger, buyouts, and capital increase;
- Defining “independent” and “non-executive” Board members;
- Requesting independent and non-executive Board members to be elected to the board;
- Assigning to the Audit Committee the responsibility to

monitor risk factors;

- Improving financial disclosure and transparency requirements and proposing the adoption of International Financial Reporting Standards (IFRS);
- Requesting to develop a 'Related Parties Policy' to regulate transactions between the company and related parties such as Board members, significant shareholders and executive management etc. to control conflict of interests.

## *Article (1): Definitions*

<b>Procedures of Access to Information</b>	The Procedures to be adopted by each company allowing shareholders to obtain information as prescribed under this Code.
<b>Accessible Information of The Company</b>	Documents and information of the Company, which should be made available to shareholders or such information and documents that may be obtained by shareholders. The said information should include at least documents required by law or by this Code to be made available to shareholders. The Company shall take into consideration when determining whether information should be made available or accessible, the resources of the Company that would have to be devoted to allowing access to such information and the potential damage to the Company and shareholders of releasing proprietary and confidential information.
<b>Affiliated Company</b>	The company that controls another company, or which is controlled by another company, or a partner with another company being both controlled by other company, or be associated with a contract of cooperation or partnership or coordination with another company.
<b>Group Companies</b>	The Company and Companies controlled by a Company as per the definition of “Control” set out by the International Financial Reporting Standards.
<b>Authority</b>	Qatar Financial Markets Authority (QFMA)
<b>Board Charter</b>	A charter detailing the Board’s functions and responsibilities as well as Board Members’ duties
<b>Board or Board of Directors</b>	The Board of Directors of the Company.
<b>Secretary</b>	Person appointed by the Board pursuant to this Code, responsible for organizing and coordinating matters relating to the Board and to the Company.
<b>Chairman</b>	A Board Chairman of the Company.

<b>Company (ies)</b>	The company listed on the venture market.
<b>Corporate Governance Code</b>	Rules and standards regulating the management of companies listed on the venture market.
<b>Corporate Governance Report</b>	An annual report of the Company's corporate governance practices signed by the Chairman and submitted to the Authority as set out in this Code.
<b>Cumulative Voting</b>	A method of voting to choose the Board members, so that it gives each shareholder the ability to vote according to the number of shares owned multiplied by the number of vacant seats in the Board, and the shareholder is entitled to vote for one candidate or to divide votes among the selected candidates without any repetition of these votes. This method increases the chances for minority shareholders to be represented on the Board through cumulative votes for a single candidate.
<b>Executive Board Member</b>	A Board member who performs solely any executive work of day-to-day management works of the company, as well as being a member of the Board of Directors.
<b>External Auditor (s)</b>	An auditor registered in the Auditors Register in accordance with the applicable laws and regulations. This auditor should not participate in any capacity in establishing the company and its Board membership, engaging in any of its technical, administrative or advisory, or being a partner, agent, or employee for the company's founders, or to one of the Board members or their fourth degree relatives.
<b>General Assembly</b>	The meeting, which each shareholder is entitled to attend and discuss topics of its agenda and ask questions to the Board members and to vote on matters on which require voting by the General Assembly.
<b>Independent Board Member</b>	The Board member who has full independence. A Board member shall be considered non-independent if he or she, for example but not limited to: <ul style="list-style-type: none"> <li>1- has been during the last three years an employee at any of the parties associated with the Company, any Allied Company, any company of its group such as Chartered Accountants and major suppliers, any of relatives until the first degree, or be owner of controlling shares in any of those parties during the last three years.</li> </ul>



	<ul style="list-style-type: none"> <li>2- has an ownership percentage of the Company's capital more than the shares needed to be a Board member.</li> <li>3- is a senior executive in the Company or in any company of the group during the last three years.</li> <li>4- is a first degree relative to any of the Board members in the Company or in any company of the group.</li> <li>5- Is a first degree relative to any of the senior executives in the Company or in any Allied Company.</li> <li>6- if he or anyone of his relatives, has currently or within the last three years, direct or indirect substantial commercial or financial transactions with the Company</li> <li>7- is a Board member of any company within the group company which run for membership of its board of directors.</li> </ul>
<p><b>Senior Executive Management</b></p> <p><b>Internal Control</b></p>	<p>Members of the Company's executive team, who perform any substantial executive work affects the daily Company's management works, strategic plans or financial or administrative performance.</p> <p>Internal audits, budget system and other procedures referred to in section IV of this Code.</p>
<b>Major Transaction (s)</b>	<p>Any transaction or series of linked or related transactions aim to own, sell, lease, exchange, or otherwise dispose of (except for establishing guarantees) assets of the Company or assets to be acquired by the Company or:</p> <ul style="list-style-type: none"> <li>a. Which would change the essential nature of the business of the Company; or</li> <li>b. In respect of which the gross value is in excess of 10% of the lesser of either the Company's market value (in case of a listed company) or the net value of the Company's assets.</li> </ul>
<b>Non-Executive Board Member</b>	A Board member who does not have full-time to manage the Company or to be one of its employees, and does not receive a monthly or yearly salary

<b>Parent Company</b>	The company that holds and supervises the task of founding another company, and owns more than 51% of its capital.
<b>Related Party</b>	<p>A person is considered to be a Related Party to the Company if that person:-</p> <ol style="list-style-type: none"> <li>1. Is a Board member of the Company or an Allied Company.</li> <li>2. Is a member of the Senior Executive Management of the Company or any Allied Company.</li> <li>3. Owns 5% or more of the Company shares or any of its Allied Companies.</li> <li>4. Is a relative and a partner of the persons above mentioned.</li> <li>5. Projects and enterprises joint with any other party.</li> <li>6. Companies controlled by Board members, senior executive managements and their relatives.</li> </ol>
<b>Relative(s)</b>	The person who is relative to any person by consanguinity or by intermarriage, up to the fourth degree.
<b>Shareholder(s)</b>	Every person (legal or natural) owns shares in the Company.
<b>Stakeholder(s)</b>	Every person (legal or natural) having an interest in the Company including for example shareholders, employees, creditors, clients, customers, suppliers and investors.
<b>Subsidiary</b>	A company that is controlled by the Parent Company so it owns more than 51% of its capital.
<b>Tag Along Right</b>	The minority shareholders' right to participate in a major sale of shares or a public offering and to sell their shares on the same terms and conditions.
<b>Substantial Commercial or Financial Transactions</b>	Commercial or Financial Transactions shall be deemed "substantial" if the total value of the transactions of the same nature reaches in the same year 10% or more of the average of the total annual transactions of the same nature executed with the Company over the last three years.

***Article (2): Scope of Implementation & Principle of “Comply or Clarify”***

- 2.1 The provisions of this Code shall apply to all companies listed on the venture market.
- 2.2 This Code is based on the principle of compliance or explanations of non-compliance. The companies shall disclose the extent of compliance with its provisions and in the case of non-compliance with any provision, the company shall specify the article or item that has not been complied with and clarify the logical reasons and bases that led to non-compliance with the said article or item, this shall be included in the governance report and in accordance with the disclosure mechanism stipulated in this Code, in a way whereby shareholders and the public can assess the company's compliance with this Code and with the principles of good governance in general.
- 2.3 This Code a guidance for the all companies listed on the venture market, unless there is a contrary provision on this regard stipulated in this Code, other rules or regulations or the Authority's Board decision.

**SECTION II**

**COMPLIANCE WITH CORPORATE GOVERNANCE**

***Article (3): Company's Obligation to comply with the Principles of Corporate Governance***

- 3.1 The Board shall ensure that the Company complies with the principles set out in this Code.
- 3.2 The Board shall also regularly review and update its Corporate Governance practices.
- 3.3 The Board shall constantly review and update professional conduct rules setting forth the Company's corporate values and other internal policies and procedures all of which shall be binding upon the Members of the Board of Directors and the Company's staff as well as the Company's advisors (These professional

conduct rules may for example include but are not limited to the Board Charter, audit committee's charter, company's regulations , related parties transactions policy and insider trading rules). The Board shall review these professional conduct principles regularly so as to ensure that they reflect best practices and they meet the needs of the Company.

### **SECTION III**

#### **THE BOARD OF DIRECTORS**

##### ***Article (4): Board Charter***

The Board shall adopt a Charter called the Board members charter detailing the Board's functions and responsibilities as well as the Board Members' duties with which they shall fully comply. The said Charter shall be drafted in accordance with the provisions of this Code, and as per the model format annexed to this Code and shall take into consideration the amendments that may be made from time to time by the Authority. The said Board Charter shall be published on the Company's website and be made available to the public.

##### **Article (5): Board Mission and Responsibilities:**

- 5.1 The Board of Directors shall manage the Company effectively and shall be collectively responsible for the proper supervision on the administration of the Company.
- 5.2 In addition to the Board functions and responsibilities as set out in the Board Charter, the Board shall have the following functions:
  - 5.2.1 Approving the Company's strategic objectives, appointing the managers, determining their replacement process and remunerations, review the management's performance and ensuring that succession plans are in place for the management of the Company.

- 5.2.2 Ensuring the Company's compliance with related laws and regulations as well as the Company's Articles of Association and Memorandum of Association. The Board is also responsible for protecting the Company from illegal, abusive or inappropriate actions and practices.
- 5.3 The Board may delegate some of its powers to other committees in the Company and constitute these special committees to perform specific assignments on its behalf. These committees shall practice their work according to written and clear instructions concerning the nature of the assignment. In all cases, the Board remains liable for all of its functions or authorities so delegated, as well as for work of such committees.

***Article (6): Board Members' Fiduciary Duties***

- 6.1 Every Board member owes to the company the duties of care and loyalty in managing the Company, and compliance with institutional hierarchy as set out in related laws and regulations including this Code and the Board Charter.
- 6.2 Board Members must at all times act on an informed basis, in good faith, with required care and attention, and in the best interests of the Company and all shareholders.
- 6.3 Board Members must act effectively to fulfill their responsibilities towards the Company.

***Article (7): Separation of Positions of Chairman and CEO***

- 7.1 Though it is permissible for one person to hold the positions of Chairman and Chief Executive Officer "CEO", it is preferable that both positions should not be held by the same person in the same time.
- 7.2 In all cases, no one person in the Company shall have absolute power to make decisions.

### ***Article (8): Duties of the Chairman***

- 8.1 The Chairman is responsible for ensuring the proper functioning of the Board in an appropriate and effective manner including timely receipt by the Board Members of complete and accurate information.
- 8.2 The Chairman shall not be a member of any of the Board committees prescribed in this Code.
- 8.3 The duties and responsibilities of the Chairman shall, in addition to the provisions of the Board Charter, include, but not be limited, to the following:
  1. ensuring that the Board discusses all the main issues in an efficient and timely manner;
  2. approving the agenda of every meeting of the Board of Directors taking into consideration any matter proposed by any other Board Member; this may be delegated by the Chairman to any Board Member but the Chairman remains responsible for the performance of the so delegated Board Member of the said task;
  3. encouraging all Board Members to collectively and effectively participate in running the affairs of the Board of Directors to ensure that the Board of Directors fulfills its responsibilities to achieve the best interest of the Company;
  4. ensuring that there are effective communication channels with Shareholders to convey their opinions to the Board of Directors;
  5. allowing effective participation of the Non-Executive Board Members particularly and to promote constructive relations between Executive and Non- Executive Board Members; and
  6. ensuring an annual evaluation to the Board's performance.

### ***Article (9): Composition of the Board***

- 9.1 The composition of the Board shall be determined in the Articles of Association. The number of members shall be according to the Company's requirements and size and in all cases shall include executive, non-executive and independent Board Members so as

to ensure that the Board decisions are not dominated by Executive Members.

- 9.2 Board Member shall be qualified and have adequate knowledge and suitable experience to effectively perform their functions in the best interest of the Company and they shall allocate sufficient time to do the job.
- 9.3 Any candidate for an Independent Board Member shall not have an ownership percentage of the company's capital exceeding the number of required shares as a guarantee for his membership in the Board.

***Article (10): Non-Executive Board Members***

- 10.1 Duties of the Non-Executive Board Members include but are not limited to the following:
  - 10.1.1 participating in the meetings of the Board of Directors and providing independent opinion on strategic matters, policy, performance, accountability, resources, key appointments and operation standards;
  - 10.1.2 ensuring that priority shall be given to the Company and Shareholders' interests in case of conflict of interests;
  - 10.1.3 participating in the Company's Audit Committee;
  - 10.1.4 monitoring the Company's performance in realizing its agreed objectives and goals and reviewing its performance reports including the Company's annual, biannual and quarterly reports;
  - 10.1.5 supervising the development of the corporate governance regulation of the Company for ensuring its consistent implementation; and
  - 10.1.6 availing the Board of Directors and its different Committees of their skills, experiences, diversified

specialties and qualifications through regular presence in the Board meetings and effective participation in the General Assemblies and the acquisition of a balanced understanding of Shareholders' opinions.

- 10.2 A majority of the Non-Executive Board Members may request the opinion of an external independent consultant, in relation to any of the Company's affairs, at the Company's expense.

***Article (11): Board Meetings***

- 11.1 The Board of Directors shall convene regularly, in order to enable the Board to perform its duties effectively, provided that the Board shall meet at least six times during a year and shall not pass two whole months without a Board meeting.
- 11.2 The Board shall convene upon an invitation by Chairman or upon a written request of two Board Members. The invitation for the Board meeting and agenda shall be communicated to each Board Member at least one week before the date of the meeting, knowing that any Board Member may add any item to the agenda.

***Article (12): Board Secretary***

- 12.1 The Board shall appoint a Secretary whose job includes registering, coordinating and keeping all the minutes of meetings and resolutions of the Board in a special and serial numbered register stating the present members and any reservations they may have. The Secretary also shall keep all the Board minutes, registers, books and reports submitted by or to the Board. Under the direction of the Chairman, the Secretary shall also be in charge of ensuring timely receipt and distribution of information, meeting's paperwork, documents and agenda, then coordinate among the Board members as well as between the Board and the other stakeholders in the company including shareholders, management, and employees.
- 12.2 The Secretary shall ensure that Board members have full and timely access to all the minutes of Board meetings, information, documents, and Company registers.



- 12.3 All Board members shall have access to the services and advice of the Secretary.
- 12.4 The Secretary may only be appointed or sacked by a Board resolution.
- 12.5 The Secretary should preferably be a member of a recognized body of professional accountants, or a member of a recognized or chartered body of corporate secretaries, or holds a university degree recognized by the Supreme Education Council or equivalent, or be a graduate of law school, business administration, economy or any other college relevant to the business of the company.

***Article (13): Conflict of Interests & Insider Trading***

- 13.1 The Company shall adopt and publish its general rules and procedures concerning the Company's commercial transactions with any Related Parties (known as the Company's "Related Parties Policy"). In all cases, the Company shall not be permitted to enter into any commercial transaction with any Related Parties unless in strict compliance with the aforementioned Related Parties Policy. The said policy shall include principles of transparency, fairness and disclosure as well as the requirement that a related party transaction be approved by the Company's general assembly.
- 13.2 Whenever an issue involving conflict of interests or any commercial transaction between the Company and any of its Board members or any party related to a Board member, is discussed in a Board meeting, the said issue shall be discussed in the absence of the concerned Board member who shall not in any event participate in the voting on the transaction. In all cases, such transaction shall be made according to market prices and on arm's length basis and shall not involve terms that are contrary to the interests of the Company.

- 13.3 In all cases, such transactions shall be disclosed in the Company's annual report and specifically referred to in the General Assembly following such commercial transactions.
- 13.4 Trading by Board members in the Company's shares and other securities shall be disclosed and the Company shall adopt clear rules and procedures regulating trading by Board members and employees in the Company securities.

***Article (14): Other Board Practices and Duties***

- 14.1 All information, data, documents and registers of the Company must be fully and immediately available and accessible to Board members. The Company's executive management shall provide the Board and its committees with all required documents and information.
- 14.2 The Board members shall ensure that the Nomination, Remuneration and the Audit Committees members, the internal auditors and representatives of the External Auditors attend the General Assembly.
- 14.3 The Board shall develop an induction program for newly appointed Board members in order to ensure that, upon their election, Board members are fully acquainted with their responsibilities, and have proper understanding of the manner in which the Company operates.
- 14.4 The Board members shall be responsible for having an appropriate understanding of their role and duties, and for educating themselves in financial, business, and industry practices as well as the Company's operations and functioning. In this respect, the Board shall adopt an appropriate formal training to enhance Board members' skills and knowledge.
- 14.5 The Board of Directors shall at all times keep its members updated about the latest developments in the area of corporate governance and best practices relating thereto. The Board may delegate the same to the audit committee or the governance committee or any other body, as it deems appropriate.

- 14.6 The Company's articles of association shall include clear procedures for sacking Board members in the event of failing to attend Board meetings.
- 14.7 If the Board member is absent from attending three consecutive Board meetings or five intermittent meetings without an excuse accepted by the Board, he shall be deemed to have resigned.
- 14.8 The Board meeting shall be deemed valid in case it is conducted by telephone or any other electronic means if all members of the meeting can communicate with each other by speaking and listening to each other. The Board may issue its resolutions without convening a meeting, if all Board members have agreed thereto in writing or through electronic communications, provided that, such approval or written or electronic approvals are kept with the minutes of the Board meetings.

***Article (15): Appointment of Board Members. Nomination Committee***

- 15.1 The Board members may establish a Nomination Committee as they deem appropriate and in accordance with the nature of the Company's work and its Board.
- 15.2 Nominations and appointments of Board members shall be conducted according to strict and transparent procedures.
- 15.3 The Board may establish a Nomination Committee chaired by an Independent Board Member and comprised of Independent Board Members who shall recommend Board members' appointments and re-nomination for election by the General Assembly (for the avoidance of doubt, nomination by the Committee does not deprive any shareholder of his rights to nominate or to be nominated);
- 15.4 Nominations shall take into account, *inter alia*, the candidates' sufficient availability to perform their duties as Board members, in addition to their skills, knowledge and experience as well as

professional, technical, academic qualifications and personality and should be based on the 'Fit and Proper Guidelines for Nomination of Board Members' annexed to the Code as amended by the Authority from time to time;

- 15.5 Upon its establishment, the Nomination Committee shall adopt and publish its terms of reference explaining its authority and role.
- 15.6 The Nomination Committee's role shall include conducting an annual self-assessment of the Board's performance.
- 15.7 Banks and other companies shall comply with any conditions or requirements relating to the nomination, election or appointment of Board members issued by Qatar Central Bank or any other relevant authority.

***Article (16): Board Members' Remuneration - Remuneration Committee***

- 16.1 The Board members may establish a Remuneration Committee as they deem appropriate and in accordance with the nature of the Company's work and its Board.
- 16.2 The Board of Directors may establish a Remuneration Committee comprised of at least three Non-Executive Board Members the majority of whom must be Independent.
- 16.3 Upon its establishment, the Remuneration Committee shall adopt and make available its terms of reference explaining its role and main responsibilities.
- 16.4 The Remuneration Committee's main role shall include setting the remuneration policy of the Company including remuneration of the Chairman and all Board members as well as Senior Executive Management.
- 16.5 The policy and principles of the Board members' remuneration shall be disclosed in the Company's annual report

16.6 Remuneration Committee shall take into account the responsibilities and scope of the functions of the Board members and members of Senior Executive Management as well as the Company's performance. Remuneration may include fixed and performance-related components, noting that such performance-related components should be based on the long-term performance of the Company.

***Article (17): Audit Committee***

17.1 The Board of Directors shall establish an Audit Committee consisting of at least three members of whom the majority should be Independent. The Audit Committee must include at least one member with financial experience in auditing. If the number of available Independent Board Members was not sufficient to fill the Audit Committee membership, the Company may appoint members that are not Independent Board Members provided that the Chairman of the Committee shall be Independent.

17.2 Any person who is or has previously been employed by the Company's External Auditors the majority shall not be a member of the Audit Committee.

17.3 The Audit Committee may consult - at the Company's expense - any independent expert or consultant.

17.4 The Audit Committee shall meet as needed and regularly at least once every three months and shall keep minutes of meetings.

17.5 In the event of any discord between the Audit Committee's recommendations and the Board 's decision including when the Board deny the Committee's recommendations concerning the External Auditor, the Board shall include in the Company Governance Report, a statement detailing such recommendations and the reason(s) behind the Board of Directors' decision to deny the recommendations.

17.6 Upon its establishment, the Audit Committee shall adopt and publish its terms of reference explaining its main role and

responsibilities in the form of an Audit Committee Charter including in particular the following:

- a. adopting a policy for appointing the External Auditors; and to report to the Board of Directors any matters that, in the opinion of the Committee, necessitate action and providing recommendations on the necessary procedures or required actions;
- b. supervising and following up the independence and objectivity of the External Auditors and to discuss with them the nature, scope and efficiency of the audit in accordance with International Standards on Auditing and International Financial Reporting Standards;
- c. supervising the accuracy and validity of the financial statements and the annual, biannual and quarterly reports , and reviewing such statements and reports, and in this regard particularly focus on:
  1. Any changes to the accounting policies, applications and/or practices;
  2. Matters subject to the discretion of Senior Executive Management;
  3. The fundamental amendments resulting from the audit;
  4. Continuation of the Company as a viable going concern;
  5. Compliance with the accounting standards designated by the Authority;
  6. Compliance with the applicable listing rules on the Venture Market; and
  7. Compliance with disclosure rules and any other requirements relating to the preparation of financial reports;
- d. coordinating with the Board of Directors, Senior Executive Management and the Company's chief financial officer or the person undertaking the latter's tasks, and meeting with the External Auditors at least once a year;
- e. considering any significant and unusual matters contained or to be contained in such financial reports and accounts. And giving due consideration to any issues raised by the Company's chief financial officer or the person undertaking the latter's tasks, or the Company's compliance officer or External Auditors;

- f. reviewing the financial and Internal Control and risk management systems;
- g. discussing the Internal Control systems with the management and ensuring management's performance of its duties towards the development of efficient Internal Control systems;
- h. considering the findings of principal investigations in Internal Control matters requested by the Board of Directors or carried out by the Committee on its own initiative with the Board approval;
- i. ensuring coordination between the internal auditors and the External Auditor, the availability of necessary resources, and verifying and supervising the effectiveness of the Internal Controls;
- j. reviewing the Company's financial and accounting policies and procedures;
- k. reviewing the appointment letter of the External Auditor, his business plan and any significant clarifications he requests from senior management as regards the accounting records, the financial accounts or control systems as well as the Senior Executive management's replies;
- l. ensuring the timely reply by the Board of Directors to the queries and matters contained in the External Auditors' letters or reports;
- m. developing rules, through which employees of the Company can confidentially report any concerns about matters in the financial reports or Internal Controls or any other matters that raise suspicions around the financial reports, internal control or any other matters, and ensuring that proper arrangements are available to allow independent and fair investigation of such matters whilst ensuring that the aforementioned employee is afforded confidentiality and protected from reprisal. Such rules should be submitted to the Board of Directors for ratification.
- n. supervising the Company's compliance with professional conduct rules;
- o. ensuring that the rules of work related to the tasks assigned by the Board of Directors are properly applied;
- p. submitting a report to the Board of Directors on the matters contained in this Article;
- q. considering other issues as determined by the Board of Directors;

**SECTION IV**  
**INTERNAL CONTROL**

***Article (18): Compliance with the Regulations, Internal Controls and the Internal Auditor***

- 18.1 The Company shall adopt Internal Control System, duly approved by the Board, to evaluate the methods and procedures concerning risk management, implementation of the Company's Corporate Governance Code and compliance with related laws and regulations. The Internal Control Systems shall set clear standards of responsibility and accountability throughout all Company's departments.
- 18.2 Internal Control Systems shall include establishing effective and independent units for risk assessment and management, as well as units for financial audit and internal operation in addition to the external audit. The Internal Control Systems shall also ensure that all related-party transactions are handled in accordance with its controls.
- 18.3 The Company shall have an internal audit unit with clearly defined functions and role. In particular, the internal audit function shall:
1. audit the Internal Control Systems and oversee their implementation;
  2. be carried out by operationally independent, appropriately trained and competent working team;
  3. submit its reports to the Board of Directors either directly or indirectly through the Board's Audit Committee; and be responsible before the Board;
  4. has access to all Company's activities; and
  5. be independent including being independent from the day-to-day Company's functioning. Its independence shall be reinforced for example by having the Board determine remunerations of its staff.



- 18.4 The internal audit unit shall include at least one internal auditor appointed by the Board of Directors. This internal auditor shall be responsible before the Board.
- 18.5 The internal auditor shall prepare and submit to the Audit Committee and the Board of Directors an “internal audit report” which shall include a review and assessment of the Internal Control system of the Company. The scope of the internal audit report shall be agreed between the Board (based on the recommendation of the Audit Committee) and the internal auditor. This report shall include particularly the following:
- Procedures of control and supervision on financial affairs, investments, and risk management.
  - Comparative evaluation of the development of risk factors and the systems in place to face drastic or unexpected market changes.
  - Assessment of the performance of the Board and senior management in implementing the Internal Control Systems, including the number of times the Board was notified of control issues (including risk management) and the manner in which such issues were handled by the Board.
  - Internal Control failure, weaknesses or contingencies that have affected or may affect the Company’s financial performance and the procedure followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company’s annual reports and financial statements).
  - The Company’s compliance with applicable market listing and disclosure rules and requirements.
  - The Company’s compliance with Internal Control systems in determining and managing risk.
  - All relevant information describing the Company’s risk management operations.
- 18.6 The internal audit report shall be prepared every six months.

## SECTION V

### EXTERNAL AUDITOR

#### *Article (19): External Auditor*

- 19.1 An independent, qualified External Auditor, appointed upon the recommendation of the Audit Committee to the Board and by a decision of the Company's General Assembly, shall undertake an annual independent audit and a biannual revision for data. The purpose of the said audit is to provide an objective assurance to the Board and shareholders that the financial statements are prepared in accordance with this Code, related laws and regulations and International Financial Reporting Standards and accurately represent the financial position and performance of the Company in all substantial aspects.
- 19.2 The External Auditors shall comply with the highest professional standards and they shall not be contracted by the Company to provide any advice or services other than the audit of the Company. The External Auditors must be completely independent from the Company and its Board Members and shall not have any conflict of interests in their relation with the Company.
- 19.3 The Company's External Auditors must attend the Company's annual ordinary General Assembly where they shall deliver their annual report and answer any queries in this respect.
- 19.4 The External Auditors are accountable to the shareholders and owe a duty to the Company to exercise due professional care in the conduct of the audit. The External Auditors are also responsible for notifying the Authority and any other regulatory authority should the Board fail to take proper action concerning suspicions raised or identified by the External Auditors.
- 19.5 All listed companies in the venture market shall change their External Auditors every five years at a maximum.

## **SECTION VI**

### **DISCLOSURE**

#### ***Article (20): Disclosure***

- 20.1 The Company must comply with all disclosure requirements including financial reporting as well as disclosing shareholdings of Board Members, senior executives and significant or controlling shareholders. The Company must also disclose information about its Board Members including notably a resume of each member describing his/her respective education, profession, seats that they may hold in other boards (if any). Names of the members of various Committees constituted by the Board as mentioned in Article 5.3, along with the composition of the committee, should also be disclosed.
- 20.2 The Board shall ensure that all disclosures made by the Company provide accurate, true and not misleading information.
- 20.3 The Company's financial reports must be compatible with IFRS /IAS and ISA standards and requirements. In addition to stating whether the External Auditor obtained all information needed, the External Auditor report shall also state whether the Company conforms to IFRS/IAS and that the audit has been conducted in accordance with IAS.
- 20.4 The Company audited financial reports shall be distributed to all shareholders.

**SECTION VII**  
**SHAREHOLDERS RIGHTS**

***Article (21): General Rights of Shareholders and Key Ownership Elements***

Shareholders have all rights conferred upon them by related laws and regulations including this Code as well as the Company's articles of association; and the Board shall respect the shareholders' rights for achieving fairness and equity.

***Article (22): Ownership Records***

22.1 The Company shall keep valid and up to date records of share ownership.

22.2 Shareholders shall have the right to review and access the Company shareholders' register free of charge during the Company's regular office hours or as otherwise determined in the Company's Access to Information Procedures.

22.3 A Shareholder is entitled to obtain a copy of the following: Board Members' register, Memorandum of Association and Articles of Association of the Company, Instruments creating a privilege or right on the Company's assets, Related party contracts and any other document as the Authority may decide against a fee prescribed by the Authority.

***Article (23): Access to Information***

23.1 The Company shall include in its articles of association and memorandum of association Procedures of Access to Information to ensure that shareholders rights of access to Company documents and information in a timely manner and on a regular basis, are preserved. The Access to Information Procedures shall be clear and detailed and shall determine:

1. the Accessible Company Information including the types of information that is made accessible on an on-going basis to individual shareholders or to shareholders representing a minimum percentage of the Company's share capital
  2. clear and express procedures to access such information.
- 23.2 The Company shall have a website where all relevant information, public information and disclosures must be posted. This includes all information that is required to be made public by this Code and any related laws and regulations.

***Article (24): Shareholders Rights with Regard to Shareholders' Meetings***

The Company's articles of association and memorandum of association shall include provisions ensuring the shareholders' actual right to call for a General Assembly and be convened in a timely manner; the right to place items on the agenda, discuss matters listed on the agenda and address questions and receive answers thereupon; and the right to make informed decisions.

***Article (25): Equitable Treatment of Shareholders and Exercise of Voting Rights***

25.1 All shares of the same class shall have the same rights attached to them.

25.2 Proxy voting is permitted in compliance with related laws and regulations.

***Article (26): Shareholders' Rights Concerning Board Members' Election***

26.1 The Company's articles of association and memorandum of association shall include provisions ensuring that shareholders are given information relating to Board candidates prior to elections including a description of candidates' professional and technical skills, experience and other qualifications.

26.2 Shareholders shall have the right to cast their votes for Board Members election by Cumulative Voting.

***Article (27): Shareholders' Rights Concerning Dividend Distribution***

The Board of Directors shall submit to the General Assembly a clear policy that regulates and describes the method of dividend distribution. This presentation shall include explaining such policy in terms of the best interest of the Company and the shareholders.

***Article (28): Capital Structure, Shareholders' Rights, and Major Transactions***

28.1 Capital structure shall be disclosed and Companies shall determine the type of shareholders agreements that shall be disclosed.

28.2 Companies shall adopt in their articles of association and/or memorandum of association provisions for the protection of minority shareholders in the event of approval of Major Transactions where the said minority shareholders have voted against such Major Transactions.

28.3 Companies shall adopt in their articles of association and/or memorandum of association, a mechanism ensuring the trigger of a public offer or the exercise of Tag Along Rights in the case of a change in ownership exceeding a specific percentage (threshold). The thresholds should take into consideration shares held by third parties but under the control of the disclosing shareholder, including shares covered by shareholder agreements which should also be disclosed.

## **SECTION VIII**

### **STAKEHOLDERS' RIGHTS**

#### ***Article (29): Stakeholders' Rights***

- 29.1 The Company shall respect rights of Stakeholders. Where Stakeholders participate in the corporate governance arrangements, they shall have access to relevant, sufficient and reliable information on a timely and regular basis.
- 29.2 The Board of Directors shall ensure that the Company's employees are treated according to the principles of fairness and equity and without any discrimination whatsoever on the basis of race, gender, or religion.
- 29.3 The Board shall develop a remuneration policy and packages that provide incentive for the employees and management of the Company to always perform in the best interests of the Company. This policy should take into consideration the long-term performance of the Company.
- 29.4 The Board shall adopt a mechanism enabling the Company employees to report to the Board suspicious behavior, where such behavior is unethical, illegal, or detrimental to the Company. The Board shall ensure that the employee addressing the Board shall be afforded confidentiality and protected from any harm or negative reaction by other employees or the employee's superiors.

## **SECTION IX**

### **CORPORATE GOVERNANCE REPORT**

#### ***Article (30): The Corporate Governance Report***

- 30.1 The Board shall prepare an annual Corporate Governance Report signed by the Chairman containing the Board evaluation for the company's compliance with this Code.
- 30.2 This Report shall be submitted to the Authority on an annual basis and whenever required by the Authority. This report shall be attached to the Company's annual report as a commitment to

the duty of periodic disclosure.

30.3 The governance report item shall be included in the agenda of Ordinary General Assembly of the company and shall distribute a copy of it to shareholders during the meeting.

30.4 The Governance Report shall include all information related to the application of this Code, for example, but not limited:

1. Procedures followed by the Company in this respect;
2. Any violations committed during the financial year, their reasons and the remedial measures taken and measures to avoid the same in the future;
3. Members of the Board of Directors and its Committees and their responsibilities and activities during the year, according to the categories and powers of said members along with the method of determining the remuneration of Directors and Senior Executive Managers;
4. Internal Control procedures including the Company's supervision on financial affairs, investments, and risk management;
5. The procedure followed by the Company in determining, evaluating and managing significant risks, a comparative analysis of the Company's risk factors and discussion of the systems in place to confront drastic or unexpected market changes;
6. Assessment of the performance of the Board and senior management in implementing the Internal Control systems, including identification of the number of times when the Board was notified of control issues (including risk management) and the way such issues were handled by the Board;
7. The Internal Control failures, wholly or partly, or weaknesses or contingencies that have affected or may affect the Company's financial performance and the procedures followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company's annual reports and financial statements);
8. The Company's compliance with applicable market listing and disclosure rules and requirements in Venture Market;
9. The Company's compliance with Internal Control systems in determining and managing risks;



10. All relevant information describing the Company's risk management operations and Internal Control procedures.
- 30.5 Companies shall comply fully with the provisions of this Article since this article is excluded from the principle of "compliance or explanation of non-compliance".

## **SECTION X**

### **CODE ENFORCEMENT**

#### ***Article (31)***

- 31.1 The Authority shall issue decisions, interpretations, circulars and guiding principles necessary to enforce the provisions of this Code as and when it deems fit. The Authority shall also supervise the appropriate implementation of this Code including carrying out investigations, verification of information, imposing sanctions, fines, penalties and all other enforcement measures under related laws and regulations.
- 31.2 The Authority may amend this Code from time to time.
- 31.3 This Code shall come into force after issuance by the Authority and publication in the Official Gazette.

Annex (1)

**GUIDELINES FOR THE NOMINATION OF BOARD MEMBERS**

**(Fit and Proper Criteria)**

1. Fit and Proper Guidelines for the nomination of Directors (the Guidelines) are made under clause (15.3) of this Code. They outline a number of matters that the Nomination Committee shall usually consider, in determining whether a person is fit and proper for membership of the Board.

The qualifications set out in these Guidelines shall not be deemed to be exhaustive. They shall be interpreted as complementing the provisions of applicable laws and regulations, and other relevant regulatory conditions. These Guidelines should be read as a complement to the Code.

2. **Definition of “fit and proper”**

A fit person is a person who is financially sound. And a proper person is a person who enjoys good personal qualities such as professional competence, integrity and good reputation.

The Nominations Committee shall, in assessing a person’s fitness and properness, take into consideration the following:

- a) Financial position;
- b) Educational or other qualifications, or experience having regard to the nature of the functions to be performed;
- c) Ability to carry out the activity competently, honestly and appropriately; and
- d) Reputation, character and integrity.

The above qualifications must be considered in respect of the person (if the nominated person is a natural person) or a company and any of its officers (if the nominated person is a legal person).

**a) Evaluation of Fitness (Financial Status)**

The Nomination Committee is not likely to be satisfied that a person is a fit person if that person:

**In the case of a natural person:**

is bankrupt or financially insolvent and has not been discharged, or is currently subject to bankruptcy proceedings or is a bankrupt who has been discharged within the previous three (3) years.

In considering whether to nominate a bankrupt person who has been discharged, the Nomination Committee would have regard to the circumstances of the discharge and whether the date of the discharge was recent.

The Nomination Committee should have regard to the circumstances of the failure to meet a judgment debt on the due date.

Where a person has been associated with a legal person that became insolvent, went into administration, was under the control of a Court appointed liquidator or otherwise failed to meet its financial obligations to creditors or beneficiaries, that person's competence, honesty and integrity may be brought into question. This may not necessarily mean that an instance in a person's past (for instance, where their association was at a very junior level) would rule them out. The Nomination Committee can enquire further into the matter to establish whether or not the circumstances reflect on the person's probity or competence as it is important for the Nomination Committee to be aware of any such instances, even where they make a decision to nominate such person.

**2. In the case of a company:**

1. is subject to receivership, administration, liquidation or other similar proceedings;
2. has failed to meet any judgment debt;

These requirements are aimed at identifying companies of dubious financial status or solvency. As with the same requirements in respect of individuals, the Nomination Committee would have regard to the circumstances of the failure to meet a judgment debt and the date of the act;

3. is unable to meet any capital requirement applicable to it; and
4. is unable to meet any financial regulatory requirement applicable to it.

## **(b) Evaluation of Properness**

Properness is evaluated with reference to the person's academic and industry qualifications together with relevant experience. Persons should have the skills, knowledge and professionalism necessary to perform their duties. The level of knowledge expected varies according to the level of responsibility. Persons are generally expected to be able to display an understanding of:

1. The regulatory framework that applies to the company's activity.
2. The legislations, laws, principles, and regulatory rules concerning to financial markets;
3. The liabilities owed to clients and the general obligations owed to their managers or employers; and
4. The financial products they deal in or advise upon and the market where the service is provided.
5. A person shall demonstrate the ability to carry out the assigned activity competently, honestly and fairly; and in compliance with all relevant laws, codes and guidelines promulgated by the QFMA and other regulators (where applicable).

The Nomination Committee is not likely to be satisfied that a person is a proper person if that person:

### **In the case of a natural person:**

1. is of unsound mind; or
2. there is evidence of his incompetence, negligence or mismanagement. Evidence may include the person having been disciplined by a professional, commercial or regulatory body; or dismissed or requested to resign from any position or office for negligence, incompetence or mismanagement;

### **In the case of a legal person:**

1. has Board Members or key personnel (such as managers, officers, Board Member, and Executive Manager), substantial

shareholders or other controllers who fail to meet the Properness Guidelines;

The Nomination Committee believes that all persons involved in the management or control of licensed corporations and registered entities must be honest and fair.

2. has failed to demonstrate that it is competent to perform the regulated activities efficiently and effectively; and
3. it lacks the infrastructure and internal control systems to manage risk effectively, avoid conflict of interests and provide a proper audit trail.

**(c) Reputation, character, reliability and financial integrity**

The Nomination Committee is likely to be satisfied that a person is not proper if that person:

**In the case of a natural person:**

1. has a bad reputation, or is not trustworthy or lacking in financial solvency;
2. convicted by a court or other competent authority for fraud, dishonesty or breach of law;
3. is convicted of a criminal offence or is the subject of unresolved criminal charges which are of direct relevance to properness;
4. censured, disciplined or disqualified by any professional or regulatory body in relation to any trade, business or profession;
5. refused or restricted from the right to carry on any trade, business or profession for which a specific license, registration or other authorization is required by law;
6. disqualified by a court of competent jurisdiction from being a Board Member;
7. found guilty of market misconduct by QFMA or another regulatory body, or failed to comply with any codes and guidelines promulgated by QFMA, other regulators or any relevant exchanges in State of Qatar or overseas (if applicable);
8. a Board Member, substantial shareholder, or manager of a Company or business that:

- a) was wound up (otherwise than by a voluntary dissolution unrelated to solvency) or was otherwise insolvent or had a receiver or administrator appointed;
  - b) was found guilty of fraud;
  - c) has not met all obligations to clients, compensation funds established for the protection of investors, or inter-member guarantee funds;
  - d) has been found to have committed the acts described in (2) or (3) or (4) or (5) or (7) above.
9. has been a party to an insolvency arrangement or entered into any form of compromise with a creditor involving a considerable amount.

**In the case of a legal person:**

1. was found to be of bad reputation, reliability, or lacking in financial integrity. Similar considerations will be given to the events described in (c) (1), (2), (3), (4), (5), (6), (7),(8) and (9) above;
2. has a liquidation request.

**3. Continuing requirements:**

A person or a company appointed as a Board Member or a nominee member, respectively, must continue to comply with these guidelines.

## Annex (2)

### Board Charter Form

1. The Board Charter may be part of the Company's articles of association.
2. The Board Charter sets forth the rights, obligations, duties and responsibilities of Board Members and should cover at least the following aspects:
  - (1) The required knowledge and skills, training, and information that Board members should have;
  - (2) Board members' duty to protect the Company's interests and the duty of loyalty to the Company;
  - (3) Board members' conduct, confidentiality, conflict of interests, and transparency of transactions concerning the Company's securities;
  - (4) Board members' duty to speak out, and their independence of mind;
  - (5) Board members' duty to be available for and regularly attend and actively participate in Board meetings and Shareholders' meetings;
  - (6) Board members' duty to care for the Company's interests and the duty of loyalty to the Company and the duty to comply with the corporate authority granted by the Company;
  - (7) The criteria for determining attendance remunerations.
3. In setting forth the Board members' duties, the following guidelines should be taken into account:
  - 3.1 Board members Duty of Care and Diligence:
    - 3.1.1 In faithfully discharging their duties, each Board member must act in good faith and exercise the same care and diligence that an ordinary, prudent person would exercise in taking care of his own money under similar circumstances, and reasonably act in the best interests of the Company.
    - 3.1.2 A Board member must take reasonable steps to be fully aware of all relevant issues, including engaging in due diligence, such as consulting outside independent experts when appropriate, and to

make informed and independent decisions when voting on Company matters. In addition to the obligation to be informed on Company decisions and matters, the duty of care also requires Board members to take reasonable steps to monitor the Company's management and finances.

3.1.3 Every newly elected Board member shall upon his/her election become familiar with the Company structure, management and all other information enabling the said Board member to assume his/her responsibilities.

3.2 Board members Duty of Loyalty upon Conflict of Interests and Related Party Transactions:

3.2.1 Board members owe a duty of loyalty to the Company and its Shareholders. This fiduciary duty requires Board Members to subordinate their personal interests to the interests of the Company and its Shareholders and at all times act in good faith.

3.2.2 In addition to complying with the procedures and guidelines concerning Related Party Transactions, to fully discharge their duty of loyalty, all Board members should refrain from:

- (1) Entering into a transaction with the Company where the Board member or a member of his family, or a business associate or any other party closely affiliated with the Board member, has a financial interest in the Company;
- (2) Carrying out activities which compete with the financial interests of the Company, including engaging in a competing business. However this paragraph does not prohibit a concerned party from owning less than 10% of a company listed in the Company or instances where the conflict is disclosed and expressly approved in accordance with the law, rules or regulations;
- (3) Usurpation of an opportunity which rightfully belongs to the Company unless the opportunity is first offered to, and rejected by the Company;
- (4) Apparent, likely, and actual conflict of interests. In the instance of such a conflict of interests involving a Board Member, the concerned Board member must fully disclose



the conflict, and refrain from voting on, or being present, when any matters related to the conflict are brought to a Board vote;

- (5) Any action which leads to granting a preferential personal loan when similar loans and loan terms are not offered to the general public; and
- (6) Any action which constitutes an insider trading or otherwise improperly disclosing confidential Company information.
- (7) Any action or transaction that is not compliant with relevant laws and regulations.

### 3.3 Board members Duty to Comply with the Authorities granted by the Company

Board members must act within the scope of the authority entrusted to them under the Company's memorandum of association, duly enacted Board directives, shareholder resolutions, and related laws and regulations. Board members acting outside the scope of their authority shall be liable for Company losses suffered as a result of such unauthorized actions.

## **Annex (3)**

### **Guidance for Preparing Corporate Governance Charter**

Corporate Governance Charter is the Charter which is the Corporate Governance system within the Company, that identifies the distribution of rights and responsibilities among the different stakeholders in the Company, such as the Board of Directors, managers, shareholders and other stakeholders, and clarifies the rules and procedures for making decisions in the Company affairs. Corporate Governance Charter is prepared as a framework to apply the governance within the Company and includes the administrative structure of the Company, the sequence of the authorities, the decision-making process, the statement of the

composition of the Board, committees emanating from it in addition to the following:

1. Committee's functions.
2. Committee's powers.
3. Number of Committee members.
4. Required Reports and their content.

Charter shall also include the following policies:

1. Policy of conflict of interest and insiders transactions.
2. Policy of risks management.
3. Procedures of internal control
4. Functions of the External Auditor.
5. Policy of disclosure and information access.
6. Responsibilities of information protection and confidentiality.
7. Policy of shareholders' rights protection.
8. Way of choosing the Board members and a clear policy for employment to raise the professional level within the organization.
9. Policy of rights protection for others' interests.
10. Policy of reporting about violations and the personnel protection.
11. Policy of dividend distribution.

Corporate Governance Charter is complemented by the Board of Directors charter to reach the required enforcement of the system within the Company

Appendix (4) Governance Report Form