



CIRCULAR
(E/ 10 /2016)

تعميم
(خ/ ١٠ /١٦)

Chief Executive Officers and General Manager,
Public Joint Stock Companies,
Law Firms,
Audit Firms,

الأفاضل / الرؤساء التنفيذيين والمديرون العامون المحترمين
شركات المساهمة العامة
مكاتب الاستشارات القانونية
مكاتب تدقيق الحسابات

After compliments,

تحية طيبة وبعد،،،

Subject: Questions and queries raised on the Code of
Corporate Governance.

الموضوع: تساؤلات واستفسارات على ميثاق حوكمة
الشركات المساهمة العامة.

Since the issue of the Code of Corporate Governance
vide CMA Circular No. (E/4/2015) on 22/7/2015,
several questions, queries and comments have been
raised outlining the concerns of directors and officers
of public listed companies and other parties.
Subsequently, and to ensure proper regulatory
compliance, we assembled all queries raised and our
correspondent responses in a compendium to provide
an easy reference for all those concerned and interested,
facilitating the implementation of the Code.

أثيرت منذ صدور ميثاق حوكمة الشركات المساهمة العامة
بموجب التعميم رقم (خ/٤/٢٠١٥) بتاريخ ٢٢/٧/٢٠١٥م عدة
تساؤلات واستفسارات وملاحظات على بعض بنود الميثاق،
وبالنظر إلى الأهمية التي تكتنف الجوانب التي كانت موضع
اهتمام المعنيين سواء بشركات المساهمة العامة أو الأطراف
الأخرى، فقد قمنا بإعداد بيان بالاستفسارات والردود لتكون
مرجعاً توضيحياً يسهل تطبيق بنود الميثاق.

You may access the compendium in Arabic and
English on the CMA's website www.cma.gov.om.

ويسرنا إفاذتكم بأنه يمكنكم الإطلاع على هذه الاستفسارات
والردود باللغتين العربية والإنجليزية على موقع الهيئة العامة
لسوق المال على شبكة المعلومات العالمية www.cma.gov.om.

Furthermore, minor amendments were made to the
Code after it was subjected to further linguistic and
technical review. An updated version of the code is
posted on CMA's website.

ومن جانب آخر فقد كانت قد أجريت تعديلات بسيطة على
بعض بنود الميثاق بعد إخضاعها للتدقيق اللغوي والمراجعة
الفنية، وتجدون نسخة محدثة لميثاق حوكمة الشركات
المساهمة العامة على موقع الهيئة، آمليين أن تتواصل الجهود
الرامية إلى تحسين وتطوير التشريعات المعمول بها لما فيه
المصلحة العامة.

Please accept our assured regards and highest
considerations,

وتفضلوا بقبول فائق الاحترام،،،

Abdullah Salim Abdullah Al Salmi
Executive President

عبدالله بن سالم بن عبدالله السالمي
الرئيس التنفيذي

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Explanations on the Code of Corporate Governance

Issued Vide Circular E/4/2015

- 1 What is the role of the Nomination and Remuneration Committee concerning formation of the board of directors?
- The role is assisting the general meeting in the evaluation of nominees and ensuring they meet requirements, but the final decision remains with the AGM.
 - The board of directors must list the requirements and the skills for the committee, abilities, competencies and expertise required of the directors to enable them to make an appraisal of the candidates or search for candidates and encourage them to apply for membership.
 - Hence, presentation of the nomination forms will help the Committee to perform its duties and enables it to provide opinion and advice to the shareholders present at the AGM.
 - The provisions of the Code of Corporate Governance are not contradicting the Commercial Companies Law, but explaining it, because what is stated in the Commercial Companies Law is permissibility according to certain considerations, and the CMA 's role is to determine the extent of such permissibility and its terms and conditions

- 2 Is the nomination process annual or semi-annual?
The nomination is linked to the formation of the board or whenever a seat is vacant.

توضيحات حول ميثاق حوكمة الشركات المساهمة العامة

الصادر بموجب التعميم رقم (خ/٢٠١٥/٤)

- (١) ما هو دور لجنة الترشيحات والمكافئات فيما يتعلق بتشكيل مجلس الإدارة؟

- إعانة الجمعية العامة السنوية على تقويم المترشحين والتأكد من استيفائهم للشروط والمهارات والقدرات المطلوبة، إلا أن القرار النهائي يبقى للجمعية العامة السنوية.
- على مجلس الإدارة أن يحدد للجنة المهارات والقدرات والكفاءات والخبرات المطلوب توافرها بالمجلس ليتسنى للجنة إجراء التقويم المناسب للمترشحين أو البحث عن مترشحين وتشجيعهم على التقدم لعضوية المجلس.
- من هذا المنطلق فإن عرض استمارات الترشيح على اللجنة سيساعدها في أداء مهامها، وحتى تتمكن من تقديم الرأي والمشورة للمساهمين الحاضرين الجمعية العامة السنوية.
- ما جاء في الميثاق لا يعتبر مخالفا لما جاء في قانون الشركات التجارية وإنما مقيداً وموضحاً له، لأن ما جاء في قانون الشركات يحمل الجوازية وفق اعتبارات معينة، ودور الهيئة هو تحديد مدى هذه الجوازية وشروطها.

- (٢) هل عملية الترشيح المسندة الى لجنة الترشيحات والمكافئات سنوية أم نصف سنوية؟

دورية الترشيح مرتبطة بدورية تشكيل مجلس الإدارة أو شغور مقعد به.

3 Who is making the appraisal for the board's members? When? How?

- The goal of appraising the performance of the directors is to find out a mechanism to monitor the efficiency of the board members and their ability to effectively contribute in guiding the company to better performance. Thus, setting out the appraisal criteria and approving it is the power of the shareholders. The board may propose the criteria but the approval is the authority of the general meeting.
- The company may , after approval by AGM, appoint an independent and impartial third party to appraise the performance and the board as a whole. Identification and timing for such appraisal will be by resolution of the general meeting in accordance with the company size, business, sector and other elements and factors

The general meeting may also want to form a committee consisting of the shareholders who hold 5% or less of the share capital to appraise the performance of the board in accordance with the above criteria.

- The mechanism for appraisal, criteria and timing is the duty of the general meeting. The executive management shall not carry out such appraisal or evaluation.

4 What are the minimum requirements of the consultants who appraise the efficiency of the directors?

There are no minimum requirements as such. The process of selecting the consultant whether firms or individuals who have

(٣) من يقوم بتقويم أداء أعضاء المجلس؟ ومتى؟ وكيف؟

- الهدف من قياس أداء أعضاء مجلس الإدارة هو إيجاد آلية لمتابعة مدى كفاءة أعضاء مجالس الإدارة ومدى قدرتهم على المساهمة بفاعلية في توجيه الشركة نحو أفضل مستويات الأداء، ولذا فإن وضع معايير التقويم أو الموافقة عليها من صلاحيات واختصاص المساهمين. ويمكن لمجلس الإدارة اقتراح او وضع المعايير ولكن الموافقة عليها من صلاحيات الجمعية العامة)
- للشركة بعد موافقة الجمعية العامة السنوية تعيين طرف ثالث مستقل ومحيد ليقوم بقياس أداء مجلس الإدارة ككل، وترك تحديد معايير هذا التقويم ودوريته لقرار الجمعية العامة، وليتناسب مع حجم الشركة وأنشطتها والقطاعات التي تعمل بها وغير ذلك من العناصر والعوامل.
- ويمكن للجمعية العامة أن تشكل من بين المساهمين اللذين يمتلكون 5% او اقل من رأسمال الشركة لجنة لقياس أداء المجلس وفق المعايير آنفة الذكر.
- آلية القياس ومعاييرها ودوريته وكل ما يرتبط بعملية التقويم متروكة للجمعية العامة، وألا تقوم الإدارة التنفيذية بأي من عملية للقياس والتقويم.

(٤) ما هو الحد الأدنى من المتطلبات الواجب توفرها في الاستشاريين الذين يقومون بتقويم كفاءة المجلس؟

لا يوجد حد ادنى من المتطلبات فعلية اختيار الاستشاريين من المكاتب او

experience in this field is left to the AGM provided he/she is not the external auditor of the company.

الافراد اللذين لديهم خبرة في هذا المجال متروكه للجمعية العامة شريطة ان لا يكون هو نفسه المدقق الخارجي للشركة.

5 Is the appraisal process of the board of directors one time or a continuous process?

The appraisal process to be fruitful must be continuous from the election of the directors and should be conducted at least annually.

هل تتم عملية قياس اداء المجلس لمرّة واحدة ام هي عملية مستمرة ؟

عملية قياس الاداء حتى تؤتي ثمارها والاهداف المرجوة منها يجب ان تكون بشكل مستمر وتبدأ من لحظة انتخاب المجلس او العضو. ويجب ان تكون بشكل سنوي على الاقل.

6 Is it permissible for chairperson of the board of directors to act as member or chairperson in other sub committees of the board?

Yes, except the audit committee

هل يجوز لرئيس مجلس الإدارة أن يكون عضواً أو رئيساً في لجان أخرى قام بتشكيلها مجلس الإدارة ؟

نعم يجوز، فيما عدا لجنة التدقيق.

7 Is it permissible for the chairperson and the directors to be directors or chairpersons of other associate or subsidiary companies?

Yes, generally, provided compliance with the Commercial Companies Law or the Code of Corporate Governance.

هل يجوز لرئيس واعضاء مجلس الإدارة أن يكونوا اعضاء او رؤساء بمجلس إدارات شركات أخرى شقيقة أو تابعة؟

بشكل عام نعم، شريطة الامتثال لما جاء في قانون الشركات التجارية أو ميثاق الحوكمة.

8 Is it permissible for the company secretary to be a member of the executive management?

Yes, subject to the provisions of the Code. For example Clause (1) (c) of Fifth Principles which mandates that the secretary shall not act as CEO or GM or a member of senior executive management if reporting to the board of directors .

هل يمكن أن يكون أمين سر الشركة من الادارة التنفيذية للشركة؟

نعم، مع مراعاة ما جاء في الميثاق، على سبيل المثال البند (1)(ج) من المبدأ الخامس، مما يعني أن أمين سر الشركة لا يمكن أن يكون الرئيس التنفيذي، أو المدير العام، أو أحد أعضاء الإدارة التنفيذية العليا إذا كان يتبع مجلس الإدارة ويرفع تقاريره إليه مباشرة.

9 Does the secretary appointed once or at the beginning of each term?

The secretary must be appointed at the beginning of each term. If the same person is desired to be appointed for new term it is acceptable taking into consideration changing the secretary from time to time to ensure impartiality and avoid accumulation of interests. Past experience indicates if the secretary stay for long he may be influential to the extent impeding the efficiency and independence of the board

هل يعين أمين سر الشركة مرة واحدة أو مع بداية كل دورة؟ (٩)

يعين أمين سر الشركة بداية كل دورة، وإذا كانت هناك رغبة بإعادة تعيين نفس الشخص لدورة جديدة فلا ضير، مع الأخذ بالحسبان أهمية تغيير أمين السر بين فترة لأخرى توخيا للحيدة وتفاديا لتراكم أي مصالح قد تعيقه عن أداء واجبه بأمانة وحرص. تفيد بعض التجارب الإنسانية أن وجود نفس أمين السر مدة طويلة تجعله ذا سيطرة وتأثير تعيق كفاءة المجلس واستقلاليتته.

10 Can the other committees have secretary different from the company secretary?

The board can appoint secretary for the subcommittees and may appoint a secretary for each or assign the role to the company secretary.

هل يمكن ان يكون هناك أمين سر (سكرتير) خاص للجان الاخرى (١٠)

مختلف عن أمين سر الشركة؟

للمجلس أن يعين أمين سر خاص لكل لجنة من اللجان المنبثقة منه، أو أن يوكل هذه المهمة إلى أمين سر الشركة.

11 Is there minimum requirements for the secretary as to experience and qualification?

CMA has not set any minimum requirement t, however, international standards and professional practices apply. CMA require background knowledge of law or accounting and audit or company secretary with suitable practical experience in business administration or executive management. Suitable according to professional practices means not less than 5 years.

هل ينبغي أن يكون هناك حد أدنى من المتطلبات التي ينبغي أن يتوفر فيها (١١)

أمين سر الشركة من حيث الخبرة والمؤهلات؟

لا تشترط الهيئة حدا أدنى، وإنما يؤخذ بالمعايير الدولية والأعراف المهنية في هذا الصدد، ولكن الهيئة تشترط وجود خلفية معرفية في مجال القانون أو محاسبة التدقيق أو أمانة سر الشركات، وأن تتوفر لديه خبرة عملية مناسبة في مجال إدارة الأعمال أو الإدارة التنفيذية. ومناسبة هنا بحسب الأعراف المهنية تعني ألا تقل عن ٥ سنوات.

12 If the company has limited human resource is it permissible to outsource the role of the secretary?

The company may engage a professional firm to take

في حال أن الشركة لديها موارد بشرية محدودة، هل يمكن استعارة أو (١٢)

توظيف أمين سر خارجي؟

this role provided they meet the terms and conditions of the Code.

للشركة أن تتعاقد مع أمين سر خارجي أو مكتب مهني متخصص للقيام بهذه المهنة، شريطة الوفاء بالشروط الواردة في الميثاق.

13 It is permissible to combine the role of secretary and compliance officers?

The Code doesn't require compliance officer (which is prerequisite of other regulatory requirements) This depends on the company business and resources. If the compliance officer is member of senior management and reports directly to the board of directors, it is not permissible to combine the roles.

هل يمكن أن يجمع بين منصب أمين سر الشركة وضابط الالتزام؟ (١٣)

لم يطالب الميثاق بإيجاد وظيفة مسؤول التزام بل هي متطلب رقابي، وبالتالي مسألة اسناد مهام أمين سر الشركة إليه فهذا الأمر يعود للشركة وحجم العمل بها والموارد المتاحة بها. وفي حالة كان مسؤول الالتزام احد موظفي الادارة العليا ويرفع تقاريره مباشرة لمجلس الادارة ففي هذه الحالة لا يجوز الجمع بين الوظائف.

14 Can the board secretary and internal audit or be the same person?

If the internal auditor reports to the board then he/ she cannot assume the role of the secretary. Please check the condition and criteria set forth in the Code. Internal Auditors usually report to the Audit Committee hence he/she may be the secretary to the board.

هل يمكن ان يكون أمين سر المجلس و مسئول التدقيق الداخلي نفس الشخص؟ (١٤)

إذا كان مسئول التدقيق الداخلي يتبع مجلس الإدارة او اي لجنة منبثقه عنه فلا يمكنه أن يتولى منصب أمين سر الشركة. يرجى النظر للشروط والمعايير الواردة في الميثاق.

15 Can the financial manager act as company secretary?

If financial manager is member of senior executive management and reporting directly to the board of directors he can't combine these roles.

هل يمكن ان يكون المدير المالي أمين سر الشركة؟ (١٥)

إذا كان المدير المالي من الإدارة التنفيذية العليا، ويرفع تقاريره مباشرة إلى مجلس الإدارة، فلا يمكن له الجمع بين هاتين الصفتين.

16 Does the company secretary report to the senior management or the board of directors?

If the company secretary is employee of the company he must report to the management, but reports in performing his duties to the board of directors. There must be safeguards to protect him from the influence of the senior management.

هل أمين سر الشركة يتبع الإدارة التنفيذية ام مجلس الإدارة؟ (١٦)

أمين سر الشركة اذا كان موظفا في الشركة فهو يتبع الادارة التنفيذية اداريا ولكنه يتبع مجلس الإدارة في أداء مهامه. وينبغي ان تكون هنالك ضوابط لحياتته من تعسف الادارة التنفيذية او تأثيرها.

17 Can two SAOG companies have the same secretary if a shareholder holds 30% in both the companies?

It is not permissible as appointment of a secretary is not linked to specific shareholder. The secretary shall ensure his independence in accordance with the Code (Fifth and Ninth Principles).

Where the company appoints a third party to act as secretary it must ensure the third party is independent if appointed as secretary of any subsidiary or associate company.

(١٧) هل ممكن لشركتين مساهمتين عامتين أن يكون لديها نفس أمين سر الشركة نظرا لوجود مساهم يمتلك ٣٠% في كلتا الشركتين؟

لا يجوز، لأن تعيين أمين سر الشركة غير مرتبط بمساهم بعينه. على أمين سر الشركة أن يحرص على استقلاليته وفق ما جاء في الميثاق (المبدأ الخامس والتاسع).

وفي حال تعيين الشركة لطرف ثالث للقيام بمهام أمين سر الشركة فعليها الحرص على توخي الطرف الثالث للحيادية في حال تم تعيينه كذلك للقيام بمهام أمين سر الشركة لأي شركة أخرى تابعة أو شقيقة.

18 Is the director who is director of a subsidiary can be considered independent director?

Terms and conditions of independent director are set out in the code. A director of a subsidiary is not independent director.

(١٨) العضو الذي يكون في شركة تابعة هل يعتبر عضوا مستقلا؟ شروط العضو المستقل موضحة في الميثاق، وبذا عضو مجلس إدارة شركة تابعة لا يعد مستقلا.

19 Would a director be exempted and considered as independent if the articles require a candidate who intends to be a director to own at least 10% or more of the Company's shares?

No.

(١٩) هل يستثنى العضو ويعتبر مستقلا إذا كان النظام الأساسي يقضي بأن يكون المرشح للعضوية مالكا لنسبة ١٠% أو أكثر من أسهم الشركة؟ لا.

20 Our board was elected in the AGM on 15 June 2015. Is the company required to comply with the requirements of independent director, executive director and managing director from the date the new Code coming into effect or the elections of the board in 2018?

1. All companies who have elections for new board or vacant position before 15 June 2016 shall settle their situation and take the required measures to comply with

(٢٠) انتخب مجلس إدارتنا الحالي في الجمعية العامة بتاريخ ١٥ يونيو ٢٠١٥. هل يتعين على الشركة الامتثال لمتطلبات العضو المستقل والعضو التنفيذي والعضو المنتدب من تاريخ العمل بالميثاق الجديد او انتخابات مجلس الإدارة التي ستتم في ٢٠١٨م؟

(١) على جميع الشركات التي لديها انتخابات مجالس إدارة جديدة او مناصب شاغرة لأي من المناصب المشار اليها قبل تاريخ ١٥ يونيو

the Code.

2. For the companies who's boards' term end after June 15, 2016 they can comply with the requirements at the new elections or in the event of vacant position.

٢٠١٦م ان توفق اوضاعها وتتخذ التدابير اللازمة للالتزام بمتطلبات الميثاق .

(٢) بالنسبة للشركات التي تنتهي فترة عضوية مجالس ادارتها في لفترة لاحقة لتاريخ ١٥ يونيو ٢٠١٦م فيترك مهمة الامتثال لهذه المتطلبات الى الانتخابات القادمة او في حالة شغور اي من هذه المناصب.

- 21 If a holding company which is an SAOG enters into a transaction with its subsidiary, there would not be any shareholder interested in this decision at the holding company's level. So, in such a situation, how the matter should be approved?

All Related Party Transactions must be approved by the shareholders in accordance with the Code.

(٢١) إذا كانت شركة قابضة مساهمة عامة تنوي عقد معاملة مع شركة تابعة ولا توجد أي مصالح للمساهمين في هذا القرار على مستوى الشركة القابضة. كيف تتم الموافقة على المعاملة؟
يجب ان تتم الموافقة على كل تعاملات الأطراف ذات العلاقة وفقا للميثاق.

- 22 With regard to the audit committee and internal controls in Clause (11) what is meant by “The audit committee shall meet with external and internal auditors separately? Does that mean the management shall not attend such meeting?

It means the audit committee shall meet with the external auditors and internal auditors without the attendance of the management to allow the external auditors and internal auditors a chance to give their opinion and remarks objectively and independently .

(٢٢) فيما يتعلق بلجنة التدقيق و أنظمة الرقابة الداخلية في البند (١١)، ما المقصود بان على لجنة التدقيق الاجتماع مع مراقبي الحسابات الخارجيين والمدقق الداخلي بشكل منفصل؟ وهل يعني ذلك عدم حضور الادارة التنفيذية لهذا الاجتماع؟
يقصد بذلك أن تجتمع لجنة التدقيق مع مراقبي الحسابات الخارجيين بعيدا عن المدققين الداخليين وبدون حضور الإدارة التنفيذية للحيادية واعطاء فرصة لمراقب الحسابات الخارجي لإعطاء ملاحظاته ومرئياته للجنة التدقيق بحيادية.

- 23 With regard to succession plan, does the succession plan cover seconded or loaned employees?

Succession plan is step taken by the company to limit the risks from

(٢٣) فيما يتعلق بخطة التعاقب او الاحلال، هل يوجب وضع هذه الخطة للموظفين المنتدبين أو المعارين؟

losing an employee who has impact on the company business whether such loss is due to natural causes (death or disease) or legal (termination of contract). To ensure safe running of the company business there must be succession and replacement plan for seconded or loan employees especially if they hold senior positions.

خطة التعاقب والإحلال هي إحدى الخطوات التي تتخذها الشركة للحد من أية مخاطر تنجم عن فقدان أحد الموظفين المؤثرين على أعمال الشركة، سواء أكان هذا الفقد طبيعياً (ب وفاة أو مرض) أو قانونياً (بإنهاء عقد مثلاً). ولذا فمن أجل سلامة تسيير أمور الشركة ينبغي أن تكون هناك خطة للتعاقب أو الإحلال للموظفين المنتدبين أو المعارين لا سيما إن كان هؤلاء يحتلون مناصب إدارية عليا.

24 Can the members of the audit committee act as members of nomination committee?

Members of the audit committee can act as members of the nomination and remuneration committee (with the exception of the chairperson of the committee).

(٢٤) فيما يتعلق بلجنة الترشيحات والمكافآت، هل يمكن لأعضاء لجنة التدقيق أن يكونوا أعضاء في هذه اللجنة؟

لا يوجد ما يمنع أن يكون أعضاء لجنة التدقيق (فيما عدا رئيس اللجنة) أعضاء في لجنة الترشيحات والمكافآت.

25 It is permissible for the chairperson of the audit committee to act as member in any committee constituted by the board?

The code makes it clear that the chairperson of the audit committee shall not take part in the membership of any of the other committees of the board.

(٢٥) هل يجوز لرئيس لجنة التدقيق أن يكون عضواً في أي لجنة يشكلها مجلس الإدارة؟

أوضح الميثاق أنه لا يجوز لرئيس لجنة التدقيق أن يشارك في عضوية أي من اللجان الأخرى التي يشكلها المجلس.

26 Is it permissible for the chairperson of the audit committee to be chairperson or director of other associates or subsidiaries?

Generally yes, provided, it complies with the Commercial Companies Law and other regulatory requirements.

(٢٦) هل يجوز لرئيس لجنة التدقيق أن يكون عضواً أو رئيساً بمجلس إدارة شركات أخرى شقيقة أو تابعة؟

بشكل عام نعم، شريطة الامتثال لما جاء في قانون الشركات التجارية أو المتطلبات التنظيمية الأخرى.

27 Is it permissible for the chairperson of the audit unit to act as chairperson or director of other associates or subsidiaries?

It is not permissible as it would cause conflict of interests.

(٢٧) هل يجوز لرئيس وحدة التدقيق بالشركة أن يكون رئيساً أو عضواً بمجلس إدارات شركات أخرى شقيقة أو تابعة؟

لا يجوز، لأن ذلك من شأنه أن يحدث تضارباً في المصالح.

28 It is mentioned in the code that the board has to approve and make public clear policies and controls for providing directors with the information they need outside the routine and regular framework of board of directors' meetings. Can the board give the directors access to the company information without any restrictions?

The policy should outline the level of confidentiality, frequency of access, and the application and approval process. If no access is provided outside the normal course of board meetings, the policy should say so, but explain why or allow for appeal against such decision.

29 Is posting the policy stated in Clause 31 above on the website of the company considered compliance with the requirement of disclosure to the public?

Placing the policy on company website can be considered as compliant with the Code requirements. However, if the practice of the company internally or externally is to disclose policies in hard copy, it would be expected that the company prints a hard copy and display it in a conspicuous location for all staff and customers/ clients. The company should do what it deems satisfactory for the transparency requirements. Policy means the documents showing the company's position, procedures for the business except the strategic and marketing policies which would affect the competitiveness of the company.

30 On counting the third of the board members if there is a fraction how to deal with it by ignoring it or rounding it up? Example

(28) ذكر في الميثاق أنه يتعين على المجلس اعتماد سياسة معلنة و ضوابط واضحة حيال تزويد أعضاء المجلس بالمعلومات التي قد يحتاجونها عند طلبهم إياها خارج الإطار الروتيني والمرتبط باجتماعات المجلس. فهل يمكن للمجلس أن يتيح لكل الأعضاء الاطلاع على معلومات الشركة بدون قيود؟

يجب ان تحدد السياسة مستوى السرية والاطلاع وعملية التطبيق والاعتماد. إذا لم يكن يوجد اطلاع خارج السياق الطبيعي لاجتماعات المجلس فيجب أن تنص السياسة على ذلك، وان تحدد حدود الاطلاع والاسباب، وتسمح للعضو بالاستئناف ضد مثل هذا القرار حسب ما هو موضح في السياسة المتفق عليها.

(29) هل يرقى وضع السياسة المشار اليها في البند 31 اعلاه في موقع الشركة على الانترنت لمتطلب الإفصاح لعامة الجمهور؟

يعتبر وضع السياسة في موقع الشركة امثالاً لمتطلبات الميثاق. ولكن إذا كانت ممارسة الشركة داخليا وخارجيا هي الإفصاح عن السياسات في نسخ ورقية فمن المتوقع أن تقوم الشركة بطباعة ذلك وعرضه في مكان بارز ليطلع عليها كل الموظفين والعملاء. يجب على الشركة القيام بما تراه مستوفيا لمتطلبات الشفافية. ويقصد بالسياسات هنا الوثائق التي توضح موقف الشركة والاجراءات الواجب اتباعها حيال ادائها لأعمالها فيما عدا السياسات الاستراتيجية والتسويقية التي تؤثر على تنافسية الشركة.

(30) عند حساب ثلث أعضاء المجلس وكان هناك كسر هل يتم تجاهل الكسر

board of 7 directors the third is 2.33 independent directors.

The objective is to enrich the discussions of the board of directors , hence the minimum was set to third. Generally speaking a fraction of a person should be rounded up if half or more provided the number shall not be less than the minimum set in the Code.

31 If director(non- shareholder) on the company board is also director of an associate as an independent, non-shareholder director, will he be independent or non- independent for the parent company?

According to Clause (3)(f) of Eighth Principle, he/ she cannot. The term director in the aforementioned provision has not been qualified whether it includes independent directors. He/ she might be considered independent for the associate company, but he/ she is not independent vis-à-vis the parent/ holding company.

32 Is it permissible to combine:

- Audit committee and risk committee?
- Executive committee and nomination and remuneration committee?

- There is no risk committee or executive committee in the Code, this may be required by other regulators.
- The role of audit committee in the Code includes risk, hence no objection to combine these roles if no conflict of interests.
- No objection to combine the roles of nomination and

أن يجبر؟ مثلا إذا كان بالمجلس ٧ أعضاء والثلث هو ٢.٣٣ أعضاء مستقلين.

الهدف هو إثراء النقاش في مجلس الإدارة ولذلك فان الحد الأدنى حدد بالثلث. بصورة عامة فان الكسر يجب جبره لواحد صحيح اذا كان نصف او يزيد، مع الاشارة الى ضرورة الالتزام بان لا يقل العدد عن الحد الادنى المحدد في الميثاق.

(٣١) إذا كان عضو (غير مساهم) في مجلس إدارة شركة عضوا في شركة شقيقة كعضو مستقل ، غير مساهم ، هل سيكون مستقلا أو غير مستقل بالنسبة للشركة الأم؟

وفقا للبند (٣) (و) من المبدأ الثامن لا يمكن أن يكون مستقلا. ومصطلح عضو في البند المذكور لم يحدد ما إذا كان مستقلا. يمكن أن يعتبر مستقلا للشركة الشقيقة ولكنه ليس مستقلا للشركة الأم/ الشركة القابضة.

(٣٢) هل يمكن الجمع بين :

(أ) لجنة التدقيق ولجنة المخاطر؟

(ب) اللجنة التنفيذية ولجنة الترشيحات والمكافآت؟

١- لا يقضي الميثاق بتشكيل لجنة مخاطر او لجنة تنفيذية. قد يكون ذلك مطلوبا من جهات تنظيمية أخرى.

٢- مهام لجنة التدقيق المحددة في الميثاق تشمل المخاطر لذلك ليس هنالك ما يمنع من الجمع بين مهامهما اذا لم يكن هنالك تضارب في المصالح فيما بينهما.



remuneration and executive committee if there is no conflict of interests.

٣- ليس هنالك ما يمنع الجمع بين مهام لجنة الترشيحات والمكافئات ولجنة التنفيذيّة اذا لم يكن هنالك تضارب في المصالح فيما بينهما.

33 Resolution by circulation- Do we need to pay Sitting fees? Since it is subject to ratification in subsequent meeting? Sitting fees are only for the actual meetings attended, whether in person or remotely via a video-link.

(٣٣) هل يمكن دفع أتعاب جلسات للقرارات بالتمرير؟ حيث أنه يخضع للمصادقة في اجتماعات لاحقة؟
اتعاب الجلسات تدفع فقط للاجتماعات الفعلية سواء كان الحضور شخصيا أو من خلال الاتصال المرئي.

34 Annexure 2: The Commercial Companies Law allows a holding company to appoint representatives on the subsidiary board. Based on point no. 3 (d), such representatives are likely to always have a conflict. Could you please clarify how would this be handled? Handling of conflict of interest has been addressed elaborately in the model Code of Conduct appended to the Code on Corporate Governance. It provided the minimum basic standards. Companies are expected to build on this and devise a more elaborate and detailed code of conduct that satisfies its operational requirements and corporate culture.

(٣٤) ملحق ٢- يجيز قانون الشركات التجارية للشركة القابضة بأن يكون لها ممثل في مجلس إدارة الشركة التابعة. وفقا للنقطة (٣) (د) سيكون لهذا الممثل تضارب للمصالح دائما. هل يمكن توضيح كيفية التعامل مع ذلك؟
جرى التعامل مع تضارب المصالح بتوسع في معايير السلوك المهني الملحقه بالميثاق. وتنص على الحد الأدنى للمعايير الأساسية. وعلى الشركات البناء على ذلك وعمل معايير مفصلة وموسعة للسلوك المهني تستوفي متطلباتها التشغيلية وثقافة الشركة

35 Annexure 2: Would a director who has stepped out of the room with respect to a matter on which he has a conflict of interest be allowed to review the complete minutes of such board meeting? Ideally, this matter should not be shared with such a director. Handling of conflict of interest has been addressed elaborately in the model Code of Conduct appended to the Code on Corporate Governance. It provided the minimum basic standards.

(٣٥) الملحق ٢: هل يسمح للعضو الذي يخرج من الاجتماع فيما يتعلق بمسألة له فيها تضارب مصالح بالاطلاع على كامل محضر اجتماع المجلس؟ في الحالات المثالية لا يجوز للعضو الاطلاع على هذه المسألة.
جرى التعامل مع تضارب المصالح بتوسع في معايير السلوك المهني الملحقه بالميثاق. وتنص على الحد الأدنى للمعايير الأساسية. وعلى الشركات



Companies are expected to build on this and devise a more elaborate and detailed code of conduct that satisfies its operational requirements and corporate culture. In all cases, the director shall not access the minutes until final resolution is adopted in the matter.

البناء على ذلك وعمل معايير مفصلة وموسعة للسلوك المهني تستوفي متطلباتها التشغيلية وثقافة الشركة، وفي كل الاحوال لا يجوز للعضو الاطلاع على المحضر الى ان يتم اتخاذ قرار قاطع وواضح بشأن الموضوع.

36 Are SAOG's required to have a head of corporate governance? Could you please highlight the relevant provision in the new code that requires this? Can the company secretary be the head of corporate governance?
The Code does not require the head of corporate governance position.

36 هل يتعين لشركة المساهمة العامة أن يكون لها مسئول حوكمة؟ هل يمكن توضيح الأحكام ذات الصلة بذلك في الميثاق الجديد؟ هل يجوز لأمين سر الشركة العمل كمسئول حوكمة؟
لا يقضي الميثاق بأن يكون للشركة مسئول حوكمة.

37 Are the 'Explanatory Notes and Guiding Procedures' given below each 'Principle' in the new code mandatory or merely for guidance and not binding?
The Explanatory Notes and Guiding Principles are binding, but they represent only the minimum required conditions.

37 هل الإجراءات التفسيرية والتوجيهية الواردة تحت كل مبدأ في الميثاق الجديد إلزامية أو مجرد توجيهات ليست ملزمة؟
الإجراءات التفسيرية والتوجيهية ملزمة، ولكنها تمثل الحد الأدنى المطلوب.

38 Point 5 of Explanatory Notes to Third Principle: Is it compulsory for the board to adopt modern methods and techniques for their meetings?
It is meant to ensure that the board effectively engage all its directors and provide the best service and duty of care and diligence to the shareholders.

38 النقطة (هـ) في الإجراءات التفسيرية والتوجيهية في المبدأ الثالث: هل مجلس الإدارة ملزم باعتماد أساليب حديثة في إدارة اجتماعات الجمعية العامة؟
القصد منها التأكد من قيام المجلس بإشراك كل الأعضاء لتقديم أفضل الخدمات والحيطة والاهتمام للمساهمين.

39 Point 2(o) of Explanatory Notes to Fourth Principle: Is the Chairman required to appoint an independent third party to evaluate the board's performance?
It is not the chairman who appoints, it is the AGM who appoint the independent third party.

39 النقطة ٢ (س) من الإجراءات التفسيرية والتوجيهية للمبدأ الرابع: هل مطلوب من رئيس مجلس الإدارة تعيين طرف ثالث مستقل لتقييم أداء المجلس؟
ليس رئيس مجلس الإدارة هو من يقوم بالتعيين، بل الجمعية العامة السنوية هي التي تعين الطرف الثالث المستقل.

40 Point 13 of the Explanatory Notes to Second Principle: What kind of rules, terms and conditions should be adopted for resolutions by circulation?

Without prejudice to the conditions set forth in the Code, the company should draft and approve a policy that outlines the rules, terms and conditions for adoption of resolutions by circulation in the first subsequent meeting of the board of directors. Ideally, these rules should form part of the Article of Association.

41 Is Disclosure of audit fee still required as part of report on corporate governance?

CMA Circular No. E/4/2016 makes it mandatory to disclose the audit fee and fee for non-audit services in the report on Corporate Governance.

42 Is the board approval for related party transactions is needed for each and every sales and purchase invoice with related parties?

The approval can be taken for the maximum cap of sales or procurement of goods and services from related parties which should be subject to transparent competitive bidding. The approval for each and every sales and purchase invoice is not practical.

43 Clause 8(m) of Tenth Principle casts upon the Audit Committee the responsibility relating to Risk Management. Many listed entities already have a separate Risk Committee mandated by other regulator (e.g. banks and leasing companies). Does that mean combining the roles?

(٤٠) النقطة ١٣ من الإجراءات التفسيرية والتوجيهية للمبدأ الثاني: ماهي الآليات والشروط والضوابط لتمرير القرارات؟

بدون الإخلال بالشروط الواردة في الميثاق، على الشركة وضع واعتماد سياسة واضحة للمصادقة على القرارات بالتمرير في اول اجتماع لاحق لمجلس الادارة ويفضل تضمينها للنظام الاساسي للشركة.

(٤١) هل مازال الإفصاح عن أتعاب التدقيق مطلوباً كجزء من تقرير الحوكمة؟

نعم. تعميم الهيئة رقم خ/٤/٢٠١٦ يجعل الإفصاح عن أتعاب التدقيق الزامياً وكذلك أتعاب الخدمات من غير خدمات التدقيق في تقرير الحوكمة.

(٤٢) هل موافقة مجلس الإدارة على تعاملات الأطراف ذات العلاقة مطلوبة لكل فاتورة بيع وشراء مع الأطراف ذات العلاقة؟

يجوز الحصول على الموافقة لحد أقصى للمبيعات أو المشتريات والخدمات من الأطراف ذات العلاقة والتي يجب أن تخضع لمنافسة ومناقصة شفافة في الحالات التي يكون فيها الحصول على موافقة لكل فاتورة بيع أو شراء ليس عملياً.

(٤٣) يلقي البند (٨) (م) من المبدأ العاشر على لجنة التدقيق مسئولية تتعلق بإدارة المخاطر. ولكثير من الجهات المدرجة لجنة منفصلة لإدارة المخاطر كمتطلب لجهات تنظيمية أخرى (مثل البنوك وشركات التمويل). فهل هذا يعني ضرورة الدمج فيما بينهما؟

The separate Risk Committee is ideal though for smaller listed entities, Audit Committee may take up these responsibilities. If a separate Risk Committee already exists then the Board may not include the responsibilities relating to Risk Management in the Audit Committee Charter.

وجود لجنة منفصلة لإدارة المخاطر أمر مثالي ولكن للجهات المدرجة الصغيرة والتي لا يوجد متطلب رقابي بالفصل بينهما أن تقوم لجنة التدقيق بهذه المهمة. وفي حالة وجود لجنة لإدارة المخاطر فليس ما يستدعي تضمين مهام إدارة المخاطر في مهام لجنة التدقيق.

44 Can a Board meeting where a majority of Directors are present physically though few of them participate by Video Conferencing be treated a meeting out of two videoconference meeting that are allowed?

A meeting where a majority of directors are present in person and few directors participate by video conference would not be counted for the maximum permitted videoconference meeting.

44 هل يمكن اعتبار اجتماع مجلس الإدارة تكون فيه أغلبية الأعضاء حاضرين شخصيا على الرغم من مشاركة القليل منهم عن طريق الاتصال المرئي على أنه اجتماع من الاجتماعين المسموح بهما عن طريق الاتصال المرئي؟

الاجتماع الذي يحضره أغلبية الأعضاء شخصيا ومشاركة عدد قليل عن طريق الاتصال المرئي لا يحسب على أنه ضمن الاجتماعين المسموح بهما بالاتصال المرئي.

45 Does the restriction of videoconference meeting apply to the meeting of Board Committees as well?

Yes, but a board committee meeting where a majority of committee members are present in person and few members participate by video conference, would not be counted for the maximum permitted videoconference meeting.

45 هل تنطبق القيود على الاجتماعات بالوسائل المرئية على اجتماعات لجان المجلس كذلك؟

نعم، ولكن اجتماع اللجنة الذي يحضره أغلبية الأعضاء شخصيا ويشارك فيه بعض الاعضاء عن طريق الاتصال المرئي لا يحسب على أنه ضمن الاجتماعين المسموح بهما بالاتصال المرئي.

46 Is board meeting by Teleconference permitted?

No, the electronic means as specified in the code means the methods where the people attending the meeting can watch and hear each other on a real-time basis.

46 هل يجوز للمجلس عقد اجتماعات عن طريق المؤتمر الهاتفي؟
لا. الوسائل الإلكترونية المحددة في الميثاق تعني الوسائل المرئية التي يرى فيها الحضور بعضهم البعض في نفس الوقت.

47 Is this 'Comply or Justify' Code?

The provisions of the code form part of listing requirements which CMA is empowered to prescribe under Article 50 of the Capital Market Law vide Royal Decree 80/89 as amended, hence the compliance is mandatory.

48 Can a person, who or the commercial entity owned by whom, is a major supplier of the listed entity, be appointed as independent Director?

Such situation needs to be dealt with keeping in view explanatory notes no. 1& 2 to the Eighth Principle. The pecuniary relationship should be considered by keeping substance over form. A major supplier if appointed as independent director, would presumably be driven by his/her own commercial interests hence one may argue that he/she may not have independence of thoughts as mentioned in the explanatory note 1.

49 What about the risk management committee? Could it have some of the audit committee tasks?

In case there are regulatory requirements from another regulator, which mandates the establishment of a separate risk management committee, the Board has to establish such committee and assign it the risk management related tasks and competences. The Board must outline in the committee's terms of reference the names of its members, its tasks and competences, duties and any other provisions related to its function.

هل الواجب الالتزام أم تبرير عدم الالتزام بنود الميثاق ضمن تقرير الحوكمة؟ (٤٧)

تعتبر أحكام الميثاق جزءاً من متطلبات الإدراج التي يجوز للهيئة وضعها بموجب البند الثامن من المادة (٥٠) من قانون سوق رأس المال الصادر بالمرسوم السلطاني ٩٨/٨٠ وتعديلاته ولذلك يعتبر الالتزام بها واجبا.

هل يجوز للشخص الذي يملك كيان تجاري يعتبر من كبار موردي شركة مدرجة أن يتم تعيينه عضواً مستقلاً في مجلس الإدارة؟ (٤٨)

يحتاج مثل هذا الوضع للتعامل معه الأخذ في الاعتبار الإجراءات التفسيرية (١) و(٢) في المبدأ الثامن. وتقتضي العلاقة المالية تقديم الجوهر على الشكل حيث أن المورد الرئيسي للعميل إذا عين عضواً مستقلاً سيفترض أنه مدفوع بمصالحه التجارية ولذلك يجوز القول أنه قد لا يكون مستقلاً من حيث الرأي وفقاً للبند (١) من الإجراءات التفسيرية.

ماذا عن لجنة إدارة المخاطر ومنحها بعض صلاحيات لجنة التدقيق؟ (٤٩)

في حالة وجود ضوابط تنظيمية صادرة من جهة رقابية أخرى تتطلب إنشاء لجنة منفصلة لإدارة المخاطر، فعلى مجلس الإدارة تشكيل لجنة مستقلة لإدارة المخاطر، موكلاً لها صلاحيات ومهام إدارة المخاطر المقررة للجنة التدقيق الموضحة أدناه، على أن يوضح في قرار إنشاء لجنة إدارة المخاطر إطارها المرجعي، أسماء أعضائها، وصلاحياتها واختصاصاتها، وواجباتها، وأية أحكام أخرى مرتبطة بعملها أو مهامها. إذا لم يكن هناك ضوابط تنظيمية ملزمة أخرى، ورأت الشركة أن متطلبات إدارة المخاطر تستدعي إنشاء لجنة خاصة بها، فلا ضير في ذلك.



50 Does the upper limit for video conferencing apply to individual members or the Board as a whole?

- a) The maximum limit of video-conferencing is twice per year. This applies to individual members as well as the board as a whole. In other words, if an individual member wishes to avail of such facility, he/ she could do so twice a year at the most. Similarly, if the entire board wishes to avail of this facility in the same meeting, they could do so providing that number of meetings in such manner do not exceed 2 per year at the most.
- b) In cases not otherwise specified above, the Board may accept video-conferencing by members in any meeting, providing the number of members using video-conferencing in that meeting should not exceed the third of board members.

هل الحد الأقصى للاجتماعات عن طريق الاتصال المرئي هو للمجلس (٥٠)

ككل أم للعضو؟

- (أ) الحد الأقصى، وهو اجتماعين في السنة ينسحب على المجلس ككل والعضو منفردا على حد سواء. بمعنى أنه لكل عضو الاستفادة من هذه الميزة مرتين في السنة فقط كحد أعلى، وكذلك إذا شاء المجلس ككل أن يستفيد من هذه الميزة في ذات الاجتماع، فله ذلك على ألا يتجاوز عدد الاجتماعات المنعقدة بهذه الكيفية عن اجتماعين خلال العام كحد أقصى.
- (ب) في الحالات التي لم ترد أعلاه، للمجلس أن يقبل بمشاركة أي من الأعضاء عن بعد (عن طريق الاتصال الثلاثي) في مداورات اجتماعات المجلس، على ألا يزيد عدد الأعضاء المشاركين في الاتصال الثلاثي عن ثلث الأعضاء.

Code of Corporate Governance for Public Listed Companies

(The “Code”)

Arabic version: issued in July 2015

English translation: issued in December, 2015.

Updated December, 2016.

(In the case where a difference of interpretation arises between the Arabic version and its English translation, the meanings provided in the Arabic version shall prevail)

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Objective of this Code

This Code aims to provide a binding and optimum framework for corporate governance in public stock companies vis-à-vis their direction, organization and supervision, through a series of specific and defined policies, processes and procedures.

Scope of Application of the Code:

The provisions of this Code shall apply to all public joint stock companies (the “**company**”, “**corporate**”, “**companies**” or “**corporates**”) listed on the Muscat Securities Market.

First Principle: Purpose of Corporate Governance

The purpose of Corporate Governance is to set out processes by which corporates are controlled and directed to create efficient enterprises contributing to building a strong, transparent and competitive national economy. The aim of such a process is to mitigate any adverse impact on the national economy, the stakeholders and the local community arising from failure to comply with corporate governance best practices.

Explanatory Notes and Guiding Procedures

1. Corporate governance is the system by which the company is directed and controlled, through the following processes:
 - (a) Identifying and allocating rights and obligations among different parties in the corporate, such as the board of directors, management, employees, shareholders, related parties and others, as the case may be.
 - (b) Setting out required rules and procedures required for decision making with regard to company affairs.
 - (c) Setting out the objectives and strategies required to achieve the above objectives.
 - (d) Specifying the criteria for monitoring and evaluating the company's performance.

2. Main pillars of corporate governance are taken to be as follows:
 - (a) **Transparency:** means that directors and management shall exercise due diligence in providing information required by regulators, shareholders, investors and related parties in a timely and appropriate manner to enable such recipients to take decisions and, with the same token, discharge of their duties appropriately.
 - (b) **Accountability:** means that directors shall be cognizant that they are accountable for their decisions and actions before the shareholders and that they should subject themselves to assessment according to best practices.
 - (c) **Fairness:** means that all shareholders, employees and related parties are treated equally by the directors and the executive management without any partiality or concealed interests.
 - (d) **Responsibility:** means that the directors shall perform their duties honestly with integrity and faithfulness toward the economy, the community in general and the company in particular. They shall exercise prudence, due diligence and care in performing their duties placing the interests of the company before any personal interests and, with the same token, taking into account the company's social responsibility.

3. The overall management framework (or standard operating procedures) of the company must provide for an appropriate environment and ways that allow shareholders to actively participate in the general meetings; and obtain the information which enables them to exercise their rights, answer their queries and participate in the election of appropriate directors.

Second Principle: Board of Directors' Formation, Roles and Responsibilities

Each company must be headed by an effective Board of Directors (the “**BoD**” or “**board**”) to lead the company, monitor its business and control its operations. The BoD shall be collectively responsible for the success of the company in achieving its long term objectives. The BoD shall work with the Executive Management, without interfering in their day-to-day duties, to achieve the company’s objectives. In all cases, the executive management shall be responsible before and accountable to the BoD.

Explanatory Notes and Guiding Procedures

- (1) The directors are severally and jointly liable before shareholders in achieving the company’s goals and objectives. They shall be primarily concerned with the company’s interests and give them precedence over other interests including the interests of the shareholders they represent.

The general meeting may remove any director or all directors if they fail in performing their duties and responsibilities.

- (2) The directors and chairperson of the board are prohibited from interfering in the daily routine and direct operational matters of the company.

- (3) Subject to the provisions of the Commercial Companies Law and its amendments, and the Rules and Conditions for Electing Directors of Public Joint Stock Companies and their Responsibilities, the company shall comply with the following when forming its BoD:

- (a) All directors shall be non-executive directors.
- (b) Percentage of independent directors to the total number of board members shall not be less than one third, with a minimum of two independent directors.
- (c) Directors, who have been elected for the first time or re-elected, must undergo some qualification in corporate governance and sustainability through training programmes at the company’s expense.

- (4) The opinion of the Nomination and Remuneration Committee shall be taken into consideration when electing directors to ensure that elected directors possess the following skills and abilities¹:

¹ Without prejudice to shareholders rights to elect board members as they deem appropriate.

- (a) Strategic insight; and ability to direct, encourage innovation and continuously drive the company to consolidate its vision.
 - (b) Required expertise in financial accounting and corporate finance.
 - (c) Understanding of management trends in general and the respective industry in particular.
 - (d) Ability to deal with crises, both short term and prolonged.
 - (e) Proper and relevant experience in the nature of the company's business.
 - (f) Commercial experience in global markets, if the company has international operations.
- (5) Persons wishing to nominate themselves or be nominated to the board membership should have the following attributes and professional competencies:
- (a) High ethical and integrity standards in their personal and professional conduct.
 - (b) Intelligence, prudence and the ability to take appropriate decisions.
 - (c) Capability to read and understand financial statements.
 - (d) Aptitude to contribute towards effective stewardship of the company.
 - (e) Capability to approach others assertively, responsibly and cooperatively.
- (6) In order to ensure the quality of directors' performance and the accomplishment of its objectives, the BoD shall, as minimum, carry out the following tasks:
- (a) Devise accountability measures vis-à-vis directors to ensure their attendance of meetings, effective participation and performance of their roles. Such measures shall state the means and methods for performance monitoring, compliance with the expected professional conduct, and consequences of failure to perform their duties.
 - (b) Determine the required skills needed in board membership. The BoD may delegate this task to the Nomination and Remuneration Committee (defined later in the Code), in order to recommend suitable candidates to the general meeting as potential nominees, providing that shareholders retain the full right, authority and freedom to select board members from amongst those nominated by the aforementioned committee or others.
 - (c) Review the above annually.
- (7) The board has to approve and make public clear policies and controls for providing directors with the information they need outside the routine and regular framework of BoD meetings. The BoD shall task the company secretary to monitor the implementation of these policies and controls.
- (8) The BoD has to include in its annual report to the general meeting, a statement with supporting justifications outlining the company's ability to continue its

operations as set out in the overall management framework or operational terms of reference.

- (9) The board has to ensure efficiency and adequacy of the internal control systems in all the units or divisions of the company including financial management, and its related operations, obligations management, and risk management. The board has to emphasize the same in its report to the shareholders, taking into consideration that, in all cases, the board's responsibility for preparing accounts and financial statements and assuring their accuracy is not less significant, in any way, than the external auditors' responsibility for preparing their reports.
- (10) The chairperson of the board shall, with the assistance of the company secretary, ensure adherence the following terms and conditions for the board's meetings:
- (a) The board shall hold at least four meetings per annum.
 - (b) The term between any two meetings shall not exceed four consecutive months.
 - (c) In case of regular meetings, the meeting agenda shall be sent to all directors at least seven (7) working days prior to the date of the meeting.
 - (d) In case of urgent or unforeseen meetings, the meeting agenda may be sent to directors less than seven (7) days prior to the date of the meeting, as the case may be.
- (11) In case of quarterly meetings dedicated to discuss quarterly results, the company shall comply with Annexure (1) of this Code as minimum information to be provided to directors.
- (12) The board may convene through video conferencing, or accept the remote participation of any of its members in its meeting deliberations, providing that in either case such convening or participation is kept to a maximum of two meetings per annum. The board shall set out the rules and controls for the use of modern telecommunication methods in the convening of its meetings and remote participation of directors.
- (13) Except for resolutions approving financial statements of the company, directors may adopt resolutions by circulation and proceed in executing the said resolutions, however, such resolutions must be listed for ratification in the agenda of the next board meeting². The board shall set out the rules, terms and conditions for adopting resolutions by circulation.

² The meeting that is directly subsequent to the adoption date of the said resolutions.

Third Principles: Board of Directors' Authority and Competences

Articles of association of the company, approved by the general meeting, shall set out clearly the authority and competences of the BoD. Such delineation of authority and competences shall be made accessible to the public, aim to serve the purpose and objectives of the company, reinforce its governance, and maximize its contribution to the national economy and local community.

Explanatory Notes and Guiding Procedures

- (1) The board shall, at minimum, perform the following tasks and competences:
- (a) Identifying a strategic vision of the company based on its mission, purpose and objects, and set viable performance indicators within a reasonable time frame which can be measured objectively, updating them periodically.
 - (b) Adopting business and financial policies pertinent to the performance of the company's business and meeting its objectives, reviewing them periodically to ensure sustenance of their efficiency.
 - (c) Setting required strategic executive plans, reviewing and updating them from time to time.
 - (d) Adopting internal regulations and bylaws pertinent to steering and management of the affairs of the company.
 - (e) Adopting the disclosure policy of the company, and monitoring compliance with its provisions as per regulatory requirements.
 - (f) Identifying necessary competences and authority required for the executive management; and ratifying the delegation and implementation policy of powers to the management.
 - (g) Monitoring the work of the management to ensure the business is properly managed according to the company's objective and ensuring compliance with the laws and regulations.
 - (h) Reviewing related parties transactions.
 - (i) Forming specialized committees; the resolution of which shall name committee members, and determine their duties, rights and obligations.
 - (j) Ensuring the efficacy of systems and polices of the company targeting successful operation of the company, its development and attaining its goals and objectives.
 - (k) Appointing the following key executive officers: chief executive officer, general manager, head of internal audit unit or compliance officer (if any) as well as determining their rights and responsibilities.
 - (l) Evaluating, at least annually, the performance of specialized committees emanating from the board and key executive officers.
 - (m) Approving quarterly and annual financial statements.

- (2) The company (embodied in the chairperson) has to conduct, within not more than ninety (90) days from the constitution of the board, an induction programme to introduce new directors to the business and operations of the company, especially the financial and legal aspects thereof, leave alone training them, if necessary.
- (3) The board should adopt a reasonable and prudent policy in delegating authorities to the executive management. The delegation policy and bylaws should cover the entire range of functions pertinent to financial and administrative affairs, personnel, as well as other functions required for efficient operation and management of the company.
- (4) The board shall be transparent in matters pertaining to the external auditors of the company, especially when engaging them for consultancy. The board shall be motivated in this regard by safeguarding total independence, in addition to respecting investors' understanding and perspective vis-à-vis the meaning of independence.
- (5) The board shall use the general meetings to effectively communicate with the shareholders, especially minority shareholders. The purpose is to ensure their participation in general meetings' attendance and discussion. In order to achieve the above, the board shall apply modern methods and techniques in meetings management, provide guidelines and manuals on effective participation in general meetings. Such application shall be recorded in the minutes of the general meeting.
- (6) Subject to the provisions of disclosure of material information stipulated in the Executive Regulation of the Capital Market Law, Part VII in particular, the board of directors shall establish, maintain and enforce written policies, procedures and systems of supervision related to disclosure of material information reasonably designed to ensure the following:
 - (a) Fair and timely disclosure of material information about the company.
 - (b) The disclosed information is honest, correct, straightforward, and reasonably comprehensive.
 - (c) The disclosed information does not - intentionally or unintentionally- mislead the shareholders or investors.
 - (d) Prevention of insider trading, i.e. dealing in company's shares on the basis of undeclared or undisclosed information by persons who, by virtue of their position or relationship with the company, are aware of such information.
- (7) Directors are not permitted to provide press statements or release data or information without a prior written permission by the board or the chairperson. The board has to identify a company spokesperson.

Fourth Principle: Chairperson

The chairperson is primarily responsible for effectively leading the board of directors and the company to ensure that the board performs its role, responsibilities, functions and powers in directing the company toward achieving its strategic visions and the purpose for which it is established. The chairperson represents the company before competent courts.

Explanatory Notes and Guiding Procedures:

- (1) The chairperson has to possess great leadership skills. He/ she has to be realize that the success of the board in discharging it duties is closely related to the ability of the chairperson to maintain cohesion of the board, harmony among directors, and their professional cooperation, all of which will lead to achieving the company objectives and purpose.
- (2) The chairperson shall, at minimum, perform the following:
 - (a) Promoting high standards of governance in the board and the company.
 - (b) Ensuring that all directors have read the Code, are aware of its contents and have put their signature to that effect .
 - (c) Leading the board to ensure efficacy of discharge of its duties, competences and powers.
 - (d) Calling the board to convene for meetings, chairing such meetings and tasking company secretariat to send the invitation.
 - (e) Setting board meetings' agenda, in coordination with the company secretariat, and ensuring distribution of the said agenda to all directors at an ample time before the said meetings.
 - (f) Ensuring that the directors obtain accurate, clear and timely information.
 - (g) Developing and encouraging constructive relations among directors..
 - (h) Ensuring efficient communication with shareholders.
 - (i) Without prejudice to the provisions of this Code, developing and promoting constructive relations between the board of directors and the executive management.
 - (j) Putting in place an induction programme for the directors to brief them on the company business and employees.
 - (k) Encouraging directors to pursue learning and continuing professional development.
 - (l) Ensuing that directors are enrolled in training or refresher programmes on their duties, compliance with the requirements of corporate governance, and other relevant regulatory requirements, si opus sit.
 - (m)Facilitating effective contributions by directors.
 - (n) Ensuring the implementation and follow up of the resolutions of the board of directors.

- (o) Appraising the performance of the board impartially and independently by a third party appointed by the annual general meeting in accordance with a benchmark and standards set by the board or the general meeting. The external or internal auditors of the company cannot not be engaged for this purpose.
- (p) Representing the company before the competent courts and third parties.

Fifth Principle: Company Secretary

The board of directors shall, at the inception of each term, appoint an experienced and qualified secretary who is able to assist the board in complying with the provisions of this Code and the applicable laws and regulations in the Sultanate as well as directives issued by other regulators and competent authorities.

Explanatory Notes and Guiding Procedures:

- (1) The secretary has to have:
 - (a) some knowledge background in law, accounting, audit or company secretariat.
 - (b) reasonable practical experience in business administration or executive management.
 - (c) no related parties inhibitions stipulated in this Code.

- (2) The secretary, at minimum, shall carry out the following tasks:
 - (a) Sending invitation to meetings, as per instructions of the chairperson, and determining the topics to be listed in the respective meeting agenda.
 - (b) Assisting the chairperson in steering the meeting, stating the position of the board on the issues listed in the agenda, and summarizing the resolutions adopted by the board.
 - (c) Recording the minutes of the meetings of the board of directors in dated and numbered minutes showing all the issues and important details deliberated in the meeting, as well as adopted resolutions; providing that the following is recorded: names of present directors; and names of those who voted for or against each of the adopted resolutions or names those who abstained.
 - (d) Sending the draft minutes of the meeting, after it has been reviewed by the chairperson, to the directors in not more than seven (7) working days from the date of the meeting.
 - (e) Incorporating any amendments to the draft minutes and sending the final version within not more than thirty (30) working days from the date of the meeting.
 - (f) Ensuring compliance of the directors and the chairperson with meeting and deliberations procedures, validating the, against the company bylaws and regulations, relevant legislation, and directives issued by other competent regulators.
 - (g) Safe-keeping the company's official documents, reports and statements, and original signed minutes of the board meetings, as well as any other documents the board instructs to deposit with the company secretariat.

Sixth Principle: Executive Management

The executive management (the “**management**”) executes the company’s general policies in accordance with its strategy and plans; and implements the bylaws, resolutions and procedures adopted by the board of directors.

Explanatory Notes and Guiding Procedures:

- (1) The management must make available sufficient information on the company affairs to all directors for the purposes of board meetings and consideration of the items listed in the agenda, which will enable them to perform their duties efficiently.
- (2) The management shall perform the following:
 - (a) Manage the daily business of the company efficiently and faithfully in accordance with the policies and procedures approved by the board.
 - (b) Work relentlessly to deliver the purposes of the company and realise its objectives provided for in the articles of association.
 - (c) Inform the board of the risks and challenges in a timely manner, as directed in the approved policies and procedures. In case of risks that have not been addressed by any of the approved policies and procedures, the management has to inform the board as soon as possible and in an appropriate manner.
 - (d) Bear in mind the protection of shareholders’ rights, company development, profits growth, and the safeguarding of the interests of stakeholders, the economy and community.
- (3) The management is responsible before the board for all their acts and behaviour.
- (4) Members of the management must be employed contracts with the company setting out their rights and obligations.
- (5) The management shall, as directed by the board, enhance the efficiency and skills of the executives to gain the confidence of the board and shareholders.
- (6) The management shall exercise its responsibilities and authority according to an organizational structure that is approved by the board specifying the hierarchy and responsibilities of each of the executives and their authorities.
- (7) The management shall disclose to the board all financial and commercial transactions wherein the executives or any of their first degree relatives have personal interests prior to concluding such transactions.

- (8) The management shall exert its best efforts in attaining company's sustainability and not just its short-term profits and revenues.
- (9) The chief executive officer of a public joint stock company cannot and shall not act as or assume the role of the chief executive officer of a subsidiary company simultaneously, regardless of whether the subsidiary company is headquartered within Oman or abroad.

**Seventh Principle:
Professional conduct of
Directors and Executives**

The board of directors and the executive management shall achieve high standards of professional conduct and abide by professional ethics while performing their duties.

Explanatory Notes and Guiding Procedures:

- (1) The board of directors shall draft an internal code for ethics and professional conduct, such as those set out in Annexure (2) of this Code, to be adopted and implemented by the directors and executives. The board shall adopt and disseminate the aforementioned code of conduct, and ensure that directors and executives have read it or has access to it.
- (2) The directors shall implement and comply with the standards of professional conduct provided for in the code for professional conduct approved by the board.
- (3) The board shall monitor the management's compliance with the aforementioned code for professional conduct.
- (4) The code for professional conduct must be cross-referenced when formulating the company policies vis-à-vis complaints, suggestions (proposals) and grievances; detailing the specific steps and mechanisms to be used for implementing such policies.

Eighth Principle: Independent Director

The board of directors shall be constituted of individuals who have the ability and independence to consider the affairs of the company wisely, proficiently, objectively and impartially to ensure complete independence from the management and major shareholders. No individual or group of individuals can be allowed to dominate board deliberations and its decision making process.

Explanatory Notes and Guiding Procedures:

- (1) Independence in this context means two things: (1) pecuniary or financial independence as set out in the terms and conditions below. (2) Independence of opinion engendered and nurtured by experience, expertise, proficiency or knowhow in the fields of the company's business, its industry or related industry. Such independence of thought is aimed to enable the independent director to support the board's decision making process and the company's directorship in ways that will serve the company's purposes and objectives.
- (2) The independent director must be:
 - (a) Honest and morally upright.
 - (b) Not related materially, economically or financially to the company, any of its subsidiaries or associates, or entities held or owned by the company, to the extent permitted by the provisions below.
- (3) A director is not be deemed independent in any of the following cases:
 - (a) Holding ten per cent (10%) or more of the company shares, its parent company, or any of its subsidiary or associate companies.
 - (b) Representing a juristic person who holds ten per cent (10%) or more of the company shares, its parent company, or any of its subsidiary or associate companies.
 - (c) Had been, during the two years preceding candidacy or nomination to the board, a senior executive of the company, its parent company or any of its subsidiary or associate companies.
 - (d) Being a first degree relative of any of the directors of the company, its parent company or any of its subsidiary or associate companies.
 - (e) Being a first degree relative of any of the senior executives of the company, its parent company or any of its subsidiary or associate companies.
 - (f) Being a director of the parent company or any of the subsidiary or associate companies of the company being nominated for its board membership.
 - (g) Being, during the two years preceding candidacy or nomination to the board, an employee of any of parties contractually engaged with the company (including external auditors, major suppliers or civil society

- organisations (“CSO”) where the latter received a support in excess of 25% of the annual budget of such CSOs).
- (h) Being, during the two years preceding candidacy or nomination to the board, an employee of the parent company or any of its subsidiary or associate companies.
 - (i) Holding about 20% of the shares of any of the above mentioned parties during the two years preceding candidacy or nomination to the board.
- (4) (a) The independent director has to notify the board as soon as a change in circumstances occurs with which his/ her independence status or condition is forfeited, within a period of not more than thirty (30) days.
- (b) In all cases, the independent director has to submit an annual statement at the end of the financial year of the company, indicating whether or not a change in circumstances has occurred which might impair his/ her independence.

Ninth Principle: Rules for Related Party Transactions

The company must adopt the highest degree of transparency and clarity when it comes to Related Party Transactions (“RPT”). All such transactions must be subject to review of the audit committee and approved by the board of directors or general meeting (as the case may be) prior to execution.

Explanatory Notes and Guiding Procedures:

- (1) This principle aims to mitigate the risks of the influence of related parties on the integrity of the company transactions and its financial position. The principle is concerned with the disclosure of all relations, transactions and obligations pertaining to any person or enterprise related to the company.
- (2) A person is deemed a related party if such person:
 - (a) was a director of the company, its parent company or an of its subsidiary or associate companies in the past twelve months.
 - (b) has significant influence on the company and its performance.
 - (c) is among the top senior executives of the company or its parent company, such as the chief executive officer, general manager or an employee who reports directly to the board.
 - (d) holds or controls 10% or more of the voting rights in the company, its parent company or any of its subsidiary or associate companies.
 - (e) Is a first degree relative of any of the persons fulfilling the points a, b, c and d above.
 - (f) Is an associate of any of the business entities stated in (3) below, wherein he/ she holds individually at minimum 25% of the voting rights.
- (3) An enterprise is deemed a related party if:
 - (a) It is a member of the same group, i.e. a parent enterprise, subsidiary or an associate.
 - (b) It is a Joint venture of the company or related enterprises.
 - (c) Persons identified in (2) above hold jointly or severally at minimum 25% of voting rights or the right to direct their resolutions or have significant control thereof.
 - (d) It is a commercial enterprise the directors of which act according to the company will.
 - (e) It is pension fund or end of service project providing end of service scheme for the employees of the company or any of its related enterprises.
- (4) The following entities are not deemed related parties:
 - a. Financiers of the company.

- b. Labour syndicates, trade unions and federations.
 - c. Public utilities (managed by the government or companies under concession contracts).
- (5) The term (Related Party Transactions, “**RPTs**”) means the transfer or exchange of resources, services or obligations between the company and a related party, regardless of whether such a transaction was concluded for a consideration.
- (6) When considering RPTs, it is imperative to look at the substance of the relations and the extent of its influence on the integrity of the company resolutions and transactions, and not to be confined to legal form only.
- (7) All related party transactions must be reviewed by the audit committee prior to execution.
- (8) In case of RPTs, which the company enters into during the ordinary course of its business, they all must be approved by the board prior to execution.
- (9) In case of RPTs, which are extra-ordinary in nature or are not entered into during the ordinary course of the company’s business, they all must be approved by the general meeting prior to execution.
- (10) In the event of requesting prior approval of the general meeting, the notice to the general meeting must include the following:
- (a) Details of transactions as follows:
 - 1. Name of the beneficiary related party.
 - 2. Nature of the transaction, terms and conditions, and rationale.
 - 3. Value of the transaction
 - 4. Period of completion of the transaction.
 - 5. Any other data related to the transaction.
 - 6. An independent valuation must be carried out in case of purchase or disposal of assets.
 - (b) A note explaining the opinion(s) of the audit committee and the board regarding the proposed transaction, and an undertaking to bear responsibility for the related party executing the transaction as per the agreement.
- (11) Approval shall be granted on a case by case basis.
- (12) Approval must be explicit for each case and not to be implicit. It shall specify details of the transaction.

- (13) A related party cannot and shall not take part in voting over the resolution regarding the transaction.
- (14) All RPTs must be disclosed, and segregating all payable amounts due to them, and receivable amounts due from them.
- (15) The chairperson shall ensure sending details of all such transactions to every shareholder along with the notice to the general meeting, covering the RPT details as well as a statement signed by all directors, except the related party, confirming that the transaction is fair and reasonable and it is in the best interest in the company's shareholders.
- (16) The annual report of the company must disclose details of all RPTs.
- (17) Auditors, during the subsequent year audit, shall ascertain whether the related party the discharge all of its obligations under respective transactions.
- (18) International Financial Reporting Standards shall be used as a benchmark when examining and disclosing such RPTs.
- (19) Transactions concluded in violation of these rules shall be considered void and cannot be claimed against the company and shareholders. The related party shall bear liability for all damages resulting therefrom.

Tenth Principle: Audit Committee and Internal Controls

The board of directors is the entity responsible for ensuring the veracity of the company's transactions and risk management. Therefore, the board must ensure, through its own committees, that the executive management has in place robust internal controls and systems for risk management aimed to safeguard shareholders' interests and the company's assets.

Explanatory Notes and Guiding Procedures:

- (1) The board of directors shall establish an audit committee (the “**committee**”) and set out its terms of reference detailing: the names of its members, its competences and functions, duties and any other provisions relating to its work or tasks.
- (2) The board shall, when constituting the committee, abide by the following :
 - (a) The committee shall comprise of, at minimum, three directors, the majority of whom shall be from the board's independent directors.
 - (b) One member, at least, shall have finance and accounting expertise.
 - (c) In all cases, the chairperson of the committee must be selected from the independent directors at the committee.
- (3) The committee has to assist the board in the following tasks:
 - (a) Validating and verifying the overall efficiency of the executive management in implementing the operational directives and guidelines set up by the board.
 - (b) Evaluating and monitoring the adequacy of internal control systems and their efficiency.
 - (c) Creating policies for safeguarding the company's human, material and intellectual resources and assets.
- (4) Meetings of the committee are deemed to have quorum if the majority of independent directors of its membership are present.
- (5) The committee must elect in its first meeting its chairperson, provided that the chairperson is an independent director. The board may name the chairperson in the committee formation resolution. It is not permitted to simultaneously hold the chairpersonship of any two committees established by the board. Similarly, it is not permitted to combine the chairpersonship of the board and that of the audit committee.

- (6) The chairperson of the audit committee cannot and shall not be a member in any of other committees.
- (7) The audit committee shall submit to the board an annual plan through which it shall discharge its tasks and competences.
- (8) The audit committee, at minimum, shall enjoy the following competences:
- (a) Consideration and review of the internal audit system, and consequently submitting an annual written report outlining its opinion and recommendations.
 - (b) Consideration of the internal audit reports and follow up remedial action with regard to the comments therein.
 - (c) Providing recommendations to the board of directors vis-à-vis the appointment and removal of external auditors as well as specifying their fees. The recommendation must bear in mind the independence of such auditors.
 - (d) Following up the work of the external auditors and approving any non-audit services which they are assigned during the audit process.
 - (e) Consideration of the audit plan in conjunction with the external auditor and comment thereon.
 - (f) Consideration and follow up of the comments of the external auditor on the financial statements.
 - (g) Consideration of quarterly and annual financial statement prior to their presentation to the board, providing opinion and recommendations.
 - (h) Consideration of the adopted accounting policy, providing opinion and recommendations thereon to the board.
 - (i) Ascertaining the adequacy and sufficiency of the internal control systems, either through examining the regular reports of internal and external auditors or appointment of external consultants.
 - (j) Overseeing the preparation of financial statements including but not limited to the following:
 - 1. Review annual and quarterly financial statements prior to publication.
 - 2. Review the reservations and qualifications of external auditors in the draft financial statements (if any).
 - 3. Discuss accounting principles in general, focusing on any changes in accounting policies and principles that had taken place and their impact on the financial position of the company.
 - 4. Ensure compliance with disclosure requirements prescribed by CMA.
 - (k) Serving as a communication channel between the board, external auditors and the internal auditor.
 - (l) Reviewing the details of all proposed RPTs, and providing appropriate recommendations to the board.

- (m) Devising a risk management plan, obtaining approval by the board and following up its implementation. The plan shall, at minimum, include the following:
 - 1. Key risks which the company is exposed to and their probability (risk appetite).
 - 2. Mechanisms for identification, measurement and monitoring of these risks.
 - 3. Mechanisms for periodic examination, detection and reporting of risks (especially new risks).
 - 4. Means to mitigate risks , if avoidance is not possible.
 - (n) Setting and reviewing the company policies pertaining to risk management, taking into account the company business, changes in market conditions and the company's investment and expansion tendencies and approach.
 - (o) Setting up an executive programme for risk management in the company, and providing training or orientation to the board and the executive management.
 - (p) Submitting analytical reports periodically, or as directed by the board, on risk status and management.
 - (q) The committee may seek the assistance of any other entity on a consultancy basis to assist the committee in performing its duties.
 - (r) The committee shall submit its recommendations to the board at the time determined by the board.
- (9) The committee, in addition to the powers and authorities stated in its formation resolution shall, to effect its functions, have the following powers and authorities :
- (a) Request the presence of the financial manager and head of internal audit in its meetings.
 - (b) Request information from any employee of the company.
 - (c) Seek advice and assistance from professional and competent persons.
- (10) The committee has to hear the views of external auditors prior to submitting accounts to the board for resolution.
- (11) The committee has to meet with external and internal auditors separately, at least once per annum, to hear their views and to consult them vis-à-vis enhancing the level of corporate governance and compliance.
- (12) Internal auditors, under the supervision of the audit committee, have to review internal control systems pertaining to financial statements, to ensure their proper design, implementation and execution in every operational aspect of the company.

**Eleventh Principle:
Nomination and
Remuneration Committee**

The company shall adopt a transparent method in preparing the nomination policy targeting directors of high competence and calibre, without prejudice to the right of any of the shareholders to stand for election or to nominate whoever they see fit. The company shall develop a proper remuneration and incentives policy to attract competent executives with proper wages and remuneration.

Explanatory Notes and Guiding Procedures:

- (1) The board shall establish a nomination and remuneration committee (the “**committee**”) with the aim of assisting the general meeting in the nomination of proficient directors and the election the most fit for purpose. Moreover, the committee aims to assist the board in selecting the appropriate and necessary executives for the executive management.
- (2) The board shall set out written and published terms of reference for the committee detailing: names of the members, its competences, functions and responsibilities in addition to any other provisions relating to its work.
- (3) Subject to the provisions of Administrative Decision No. 11/2005 on the rules of remuneration and sitting fees for directors of public joint stock companies, the committee shall exert its efforts to assist the company in formulating clear, credible and accessible policies to inform shareholders about directors’ and executives’ remuneration. However, additional performance based criteria have to be used to determine the bonus and remunerations of the chief executive officer and senior executive management.
- (4) The board, while constituting the committee, shall take into consideration the following points:
 - (a) The committee shall comprise of, at minimum, three directors.
 - (b) The committee shall convene at least twice per annum.
- (5) The committee must elect in its first meeting its chairperson. The board may name the chairperson in the committee formation resolution. It is not permitted to simultaneously hold the chairpersonship of any two committees established by the board.
- (6) The committee shall submit to the board an annual plan and of action.
- (7) The committee shall, at minimum, have the following competences:
 - (a) Provide succession planning for the executive management.
 - (b) Develop a succession policy or plan for the board or at least the chairperson.

- (c) Prepare detailed job descriptions of the role and responsibilities for directors including the chairperson. This will facilitate orientate directors towards their tasks and roles, and appraise their performance .
- (d) Look for and nominate qualified persons to act as interim directors on the board in the event of a seat becomes vacant.
- (e) Notwithstanding the articles of association of the company, look for and nominate qualified persons to assume senior executive positions, as required or directed by the board.
- (f) Prepare a bonus, allowances and incentive policy for the executive management.
- (g) Review such policies periodically, taking into account market conditions and company performance.
- (h) Taking into consideration avoiding conflict of interests, the committee may, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks.

Twelfth Principle: External Auditors

The board of directors is the responsible authority for the veracity of the financial statements, which are presented to the shareholders through the external auditors, who are appointed by the general meeting to ensure that the annual statements presented to the shareholders are free from any material misstatement or misrepresentation.

Explanatory Notes and Guiding Procedures:

- (1) The audit committee shall invite three proposals from among the audit firms approved by CMA. The audit committee shall provide a justified recommendation to the board to select on the competing firms to be appointed as the external auditor for the company. If the board approves the recommendation, then it will list it in the agenda of the ordinary annual general meeting.
- (2) The ordinary annual general meeting shall appoint the external auditor for a term of one financial year, renewable for other similar terms, providing they do not exceed four (4) consecutive financial years. After completion of fourth consecutive year, the firm may be reappointed once again only after a cooling off period of two consecutive years.
- (3) The external auditor appointed by the general meeting to audit the company's accounts is prohibited from providing non-audit services, which do not fall within normal audit work, in order to maintain its impartiality and independence.
- (4) The external auditors, as part of their audit procedure, must report to the shareholders any significant concern(s) that come to their attention such as the following:
 - (a) The adequacy and efficacy of the internal control systems currently in place in the company.
 - (b) Ability of the company to continue its operation. This view is expressed separately from the board's view.
 - (c) Extent of coverage of the company's regulations and bylaws, adequacy of such regulations and bylaws and compatibility with the company's circumstances; and the degree of faithfulness in their implementation. .
- (5) The external auditors shall report to the board all detected or suspected violations. In case, the detected or suspected violations are material, the respective regulatory authority must be provided with a copy of the

aforementioned report, without permission of the company or board of directors.

- (6) The external auditors of the company have to ensure that the audit system and internal controls related to the financial statements have been designed and implemented efficiently and in ways that will limit the risks of financial falsification or misrepresentation.

**Thirteenth Principle:
Corporate Social
Responsibility**

Corporate Social Responsibility (“**CSR**”) is linked to the company purposes and activities. The company shall seek to exercise its role as good citizen and to mitigate any adverse impact of its activities on the national economy, community or environment at large.

Explanatory Notes and Guiding Procedures:

- (1) The company (represented by the board of directors) has to develop a CSR charter or code. The board shall task the executive management or an external consultant to provide a policy proposal for approval by the board.
- (2) The executive management shall set out a strategy or an annual plan, through which it will deliver the company’s CSR philosophy, policies, and community-based principles. The strategy or plan has at minimum outline the following items:
 - (a) Allocated budget.
 - (b) Available support and participation means.
 - (c) The values and principles which the company seeks to disseminate through the different CSR activities.
 - (d) Community segments or social fields targeted by the company.
- (3) The annual report shall contain a special report on CSR activities detailing such activities, expended amounts, and its impact and sustainability assessment.

Fourteenth Principle: Annual Reports

Annual reports of the company shall indicate whether the practices of the board, the directors and the executive management is in line with the principles, standards and best practices of good corporate governance.

Explanatory Notes and Guiding Procedures:

- (1) The annual report shall contain a summary of the management deliberations and analysis in addition to the board's opinion on the following matters:
 - (a) The approach adopted by the company in executing its business and development proposals
 - (b) Investment opportunities and challenges.
 - (c) Analysis of the company products
 - (d) Detailed explanation of the company business and operations.
 - (e) Risks encountered by the company.
 - (f) The internal audit and control systems and their adequacy.
 - (g) Discussion over the financial and operational performance of the company.
- (2) The annual and quarterly financial statements, price reports and those reports submitted to the regulators, which are prepared by the board, shall contain balanced and understandable evaluation of the company accounts.
- (3) The company's annual reports shall contain a separate chapter on corporate governance highlighting extent of compliance with the requirements of this Code. Such chapter shall include, at minimum, the items and requirements set out in Annexure No. (3).
- (4) The auditors' report shall contain an affirmation that the above mentioned annual report is free from any material misstatement or representation.

Annexures

Annexure No. (1): Minimum information that must be provided to the board

1. Estimated capital and operating budget and any updates.
2. Quarterly results of the company.
3. Minutes of the board committees.
4. Information on recruitment, resignation, removal and remuneration of key personnel.
5. Material notices of penalties, fines and causes.
6. Serious accidents, dangerous incidences and pollution related problems.
7. Material default in financial obligations to or by the company.
8. Matters pertaining to possible public suits or product liability claims of substantial nature.
9. Joint venture agreements.
10. Transactions involving substantial payment towards intellectual property, goodwill and royalties .
11. Problems arising from industrial and commercial relations, including new wage agreement.
12. Sale of investment and assets which are not in the normal course of the company's business.
13. Statement of compliance, or not thereof, with any regulatory requirement.
14. Details pertaining to the possibility of the company's exposure to risks of fluctuations in foreign currency exchange rates, and steps taken to hedge such risks.

Annexure No. 2: Standards of Professional Conduct

1. Professionalism

- a. A director should endeavour to ensure having adequate knowledge for the performance of his duties as director and acquaint with developments through continued education and endeavour to improve his efficiency as director.
- b. A director shall endeavour to know the activities of the company he is serving and be fully aware of the company affairs, business and operations and take the necessary steps to achieve that.
- c. A director shall ensure the company's compliance with the Code of Corporate Governance.

2. Due Diligence

- a. A director should act with due diligence in discharging his duties as director.
- b. A director shall assist the board of directors in improving the management of the company to safeguard and enhance the shareholder's interests.
- c. A director shall endeavour to attend all the meetings of the company and contribute to discussions save where there is ethical or legal preclusion. Where the director is unable to attend any meeting, he shall arrange for obtaining permission for absence.

3. Integrity

- a. A director shall be honest at all times and act in good faith in the best interest of the company.
- b. A director shall exercise and maintain independence in judgment at all times and take reasonable steps to be convinced of the soundness of the resolutions of the board.
- c. A directors shall at all times avoid any compromise to his independence.

- d. A director who is appointed at the instigation of a major shareholder shall act in the interest of the company and shareholders in general not only the interest of the shareholder who has nominated him. Where obligations to other persons or bodies preclude a director from taking an independent position on an issue, the director should disclose the position and refrain from taking part in the board's consideration of the issue.

4. Conflict of Interests

- a. A director shall at all times maintain transparency, avoid personal and professional conflicts of interest and disclose all contractual interest with the company whether direct or indirect.
- b. A director shall not take improper advantage of the office and shall maintain confidentiality of all information he obtain in his capacity as director and shall not use such information improperly.
- c. A director must make sure that any information which is not publicly available and which would have a material effect on the price of the company's securities is not provided to anyone who may influence the subscription or buy and sell of shares.
- d. A director shall not take improper advantage of the office to gain directly or indirectly or make personal benefits to him or any related person.
- e. The personal interest of a director or those of associated persons, must not take precedence over those of the company's shareholders generally.
- f. Full disclosure of any conflict or interest or potential conflict must be made to the board. On dealing with this matter the degree of potential conflict and potential results should be considered if the matter is not addressed properly.
- g. Where a conflict arise , a director should consider refraining from participation in the debate and/or voting on any matter subject to conflict. It is preferred to exit from the meeting at the time of debate on the matter relating to conflict of interests.
- h. Where the director receives documents pertaining to a matter with potential conflict of interests he shall return such documents to the chairperson or secretary showing the potential conflict of interest.

- i. In all cases, the board should consider whether or not his expertise is available by other means limiting the impact of conflict of interests.
- j. . In case of continuing material conflict of interest the director must carefully consider resignation from the board.
- k. A director must not make improper use of information acquired by virtue of his position as director. The prohibition applies irrespective of whether or not the director or any associated person would benefit directly or indirectly or the company would not be harmed.
- l. A director shall comply with all regulations and directives relating to selling and buying company shares and shall comply with all the regulations and instructions laid by the board on trading the shares. A director shall not deal in the shares of his company based on short term considerations.

5. Compliance with the Law

- a. A director shall obtain knowledge on the legal and regulatory framework in which the company operates.
- b. A director should take the necessary measures to ensure his compliance and the compliance of the company with the relevant laws and regulations.
- c. A director shall obtain, where necessary, legal, financial or professional advice on the company affairs or on discharging his fiduciary obligations.
- d. Where the director is concerned about the objectivity of the advice he shall obtain advice from independent advisors other than the advisors of the company.

6. Access to Information

- a. A director should insist on obtaining full, adequate and timely information on all material developments in the company.

- b. A director shall be well informed of the company evolution and should be in the lead of decision making process of the board of directors.
- c.
- d. A director should insist on obtaining sufficient and timely information. Such information shall be available to the directors before ample time to enable them to consider the issues.
- e.
- f. If full and adequate information is not available the director must make appropriate objection, may refrain from voting on an issue on the basis of non-availability of sufficient information and time to consider the issue properly. Such refrainment shall be recorded in the minutes of the meeting. It might be proper to vote against the resolution or attempt to postpone it until appropriate information is available.

Annexure No. (3) Items to be covered in the report on corporate governance

1. The company's philosophy vis-à-vis the principles of corporate governance and a detailed report on how the company has applied those principles.
2. Board of Directors
 - 2.1 Composition and category of directors for example independent director and nominee director for institutions represented as lender or as equity investor.
 - 2.2 Board meeting and the last general meeting attendance for each director.
 - 2.3 Number of other boards or board committees where the director is a member or chairperson.
 - 2.4 Number of board meetings held and dates.
3. Board committees
 - 3.1 Brief description of terms of reference of these committees.
 - 3.2 Composition, names of members and chairperson.
 - 3.3 Meetings and attendance during the year.
4. Process of nomination of directors
5. Remuneration
 - 5.1 Total of remuneration (bonus, sitting fees, etc.) paid to all directors.
 - 5.2 Total remuneration paid to top executives (top five) including salary, benefits, allowances, bonuses, options, gratuity and pension etc.
 - 5.3 Details of performance based bonuses, awards and incentives along with performance criteria.
 - 5.4 Employment contracts, notice periods and severance fees.
6. Details of non-compliance by the company

Penalties and strictures imposed on the company by the MSM or CMA or any other regulatory authority during the past three years.
7. Channels of communication with the shareholders and investors:
 - 7.1 Verifying that quarterly results are sent to each shareholder and the procedures followed accordingly.
 - 7.2 Posting such results on the website, if any.
 - 7.3 On the internet if the company website is displaying official press releases.
 - 7.4 Presentations made to institutional investors or analysts.

- 7.5 Annual report if management deliberations and analysis are contained therein.
8. Market Price data
 - 8.1 Highest/ lowest share price during each month of the last financial year.
 - 8.2 Performance in comparison with MSM index (for the relevant sector).
 - 8.3 Distribution of shareholding.
 - 8.4 Outstanding securities or any convertible instruments, conversion date and likely impact on equity.
9. Specific aspects where the provisions of corporate governance have not been complied with and reasons for such non-compliance.
10. Explanatory notes and professional profile of the statutory auditor.
11. Any other important matter.

Glossary

- a. **General framework of company management:** means all or any of the : articles of association, management agreements, systems, internal regulation and other administrative decisions.
- b. **Independent director:** means the director who is independent and have experience, proficiency enabling him to support the decision making process and company management to serve its purposes and objects.
- c. **Non-executive director:** Means the director who is not whole time employees of the company (not employees) who does not draw monthly or annual salary from the company
- d. **First degree relative:** includes the father, mother, sons, daughters and spouse.
- e. **Specialised Committees or Committees:** means committees that have been formed by the Board.
- f. **Executive office:** every person reporting to the chairperson or chief executive officer.
- g. **Parent company:** means the enterprise that controls the financial and operational decisions of the company, so that it avails of benefits or liabilities as a result of the company's activities, and which is treated as such under International Financial Reporting Standards.
- h. **Subsidiary company:** means the enterprise where the financial and operational decisions of which are controlled by the company, so that it avails of benefits or liabilities as a result of the enterprise's activities, and which is treated as such under International Financial Reporting Standards.
- i. **Associate company:** means the enterprise upon which the company has significant influence over its financial and operational decisions, and which is treated as such under International Financial Reporting Standards.
- j. **Key management executives:** Persons having powers and authority and responsibility in planning, directing and monitoring the business of the company directly or indirectly.