

Jordanian Corporate Governance Code

Private Shareholding Companies
Limited Liability Companies
Non Listed Public Shareholding Companies



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SECTION I. INTRODUCTION

1. Preamble

Corporate governance is the system by which organizations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization – such as the Board of Directors, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making. Corporate governance is increasingly important if Jordanian organizations are to prosper in a competitive global marketplace. For more information about the benefits of corporate governance please refer to (Annex A).

The mission of the Ministry of Industry and Trade (hereinafter referred to as the “Ministry”) is to help achieve continuous economic growth by developing and implementing policies, legislations and programs to boost the business and investment environment in Jordan. The goal is to help increase Jordan’s economic attraction and help ensure the rights and benefits of the business sector.

The Companies Control Department (hereinafter referred to as the “CCD”) was established in early 2003 as an independent department from the Ministry to provide registration services and implement effective control tools to ensure and activate the principles of corporate governance, and to provide secure growing investment environment in order to develop the national economy.

The CCD has a vested interest in the success and sustainability of the business sector in Jordan and as such, has taken the initiative to prepare this Corporate Governance Code (hereinafter referred to as the “Code”).

The Ministry and the CCD aim to increase their work towards the first national objective of increasing the competitive ability of the national economy and enhancing the investment environment by developing this Code for Jordanian organizations registered with the CCD.

Based on the clear and identified importance of corporate governance and in alignment with the objectives of the Ministry, the CCD and the national vision, the CCD has taken the liberty of creating a National Corporate Governance Task Force comprised of several members, representing the private and public sectors, to prepare this Code.

2. Scope of the Code

Corporate governance is important for all types of companies but taking into consideration implementation, monitoring and applicability, the National Task Force has agreed that the Code will be specifically applicable to the following organizations:

- Public Shareholding Companies that are not listed in the stock exchange.
- Private Shareholding Companies.
- Limited Liability Companies.
- Private Shareholding Companies that are not for profit.
- Limited Liability Companies that are not for profit.

Throughout this Code the above are collectively referred to as “organizations”.

This Code is divided into 5 sections:

- 1 The Board of Directors/Management Committee – roles and responsibilities.
- 2 Control Environment.
- 3 Transparency and Disclosure.
- 4 Rights of Shareholders/Partners.
- 5 Stakeholders.

3. Compliance with the Code

In alignment with the national vision, the Code is designed to create an improved business and investment environment and enable more sustainable growth by increasing transparency, fairness, accountability and corporate responsibility. The Code is based on the Organization for Economic Co-operation and Development (OECD) principles of corporate governance namely:

- Commitment to corporate governance.
- Protection of shareholders.
- Equitable treatment of shareholders.
- Role of Stakeholders.

- Roles and responsibilities of the Board of Directors.
- Disclosure and transparency.

Accordingly the main objective of this Code is to provide guidelines to all kinds of organizations with the main purpose of:

- Increasing the value of organizations.
- Improving sustainability and performance of organizations.
- Facilitating increased access to finance at lower costs.

In view of such objectives and with an interest in creating long-term impact, the Code is based upon the “Comply-or-Explain” principle.

The “Comply-or-Explain” principle is built around the notion that all organizations for which this Code applies must comply with the provisions of this Code; however, if they do not comply or are unable to for any reason, they must explain why. This model has proved to be very successful in implementation as it enables smooth and gradual implementation of the Code, creating a culture and awareness of the added value it brings to the business without the associated heavy costs with immediate and fast implementation.

Some of the provisions of this Code may not be suitable for small organizations (e.g., organizations with less than 50 employees), however, such organizations should still consider the provisions of this Code for future requirements as they grow. Additionally, this model of compliance enables such small organizations that may find some provisions difficult or inapplicable to simply ‘Explain’ why they are not in compliance.

SECTION II. BOARD OF DIRECTORS/ MANAGEMENT COMMITTEE

1. Board of Directors/Management Committee

According to the Jordanian Companies Law, organizations may be run and managed by either a general manager, management committee or a Board of Directors. The way the Jordanian Companies Law is drafted; the terms “Manager” in a “Management Committee” and “Director” on the “Board of Directors” are used interchangeably. Accordingly, for the purpose of this Code, the term Director also includes “Manager” as an executive or non-executive member of the Management Committee and the term Board of Directors also includes “Management Committee” as referenced in the Jordanian Companies Law.

This section focuses on how Board of Directors can be structured, what is its role and responsibility, what sort of remuneration can be offered and how to manage its communications and meetings most effectively.

Principle:

Every organization should have a Board of Directors elected by its owners taking into consideration other stakeholders, the organization’s objective, and sustainability whereby the mission of such Board of Directors is to ensure the strategic guidance to the organization, effectively monitor management, and be accountable to the organization and its stakeholders.

1.1 Composition and Diversity

The Board of Directors is the vehicle with which any organization can grow, succeed and become sustainable. Therefore, having the right competent Board is critical to the success and sustainability of such vehicle.

Principle:

Every organization should have a Board of Directors that has an optimal size with competences to achieve its required roles and responsibilities and can take independent decisions for the benefit of the organization taking into consideration balanced mix of age, gender, and experience.

1.1.a Diverse competences

The Board of Directors should together:

- Represent a balanced mix of competences to achieve their roles and responsibilities and that can be representative of the organization’s service/product and target audience taking into consideration age and gender. By means of an example to include Directors with the following:
 - Experience serving on other Boards of Directors.
 - Experience in managing executives/management.
 - Experience in identifying and controlling risks.
 - Financial knowledge.
 - Knowledge of the organization's nature of business.
 - Knowledge of national and international markets.
 - Knowledge in applicable laws and regulations.
- Have the background and professional experience required to achieve their main objective of protecting and adding value to the organization. By means of an example Directors should:
 - Be able to read and understand management and financial reports.
 - Be able to provide business judgment independently to avoid conflicts of interest and in the event of any conflict of interest; has to act in accordance with this Code and its provisions related to conflict of interest, related party transactions and disclosure.
 - Align their values with those of the organization.

- Have knowledge of corporate governance best practices.
- Have a good reputation and personal integrity.
- Have enough time available to exercise their fiduciary duties.
- Be committed to corporate governance implementation.
- Have a strategic vision.

1.1.b Independent decisions

- No Director should have unfettered powers of decision-making.
- At least half of the Board should comprise of individuals that have no executive responsibilities in the organization (Non-Executive Director).
- At least 2 of the Directors should be Independent. Independent Director is further defined in (Annex B). In assessing independence, a detailed criterion is set out in (Annex B) to be taken into account.
- An Independent Director who, for whatever reason, is no longer independent should immediately inform the Board of such change and the Board should reassess his/her independence. The re-assessment of refers to the position of being Independent and may be considered as non-executive Director.

1.1.c Role of the Chairman

- The Chairman and the Chief Executive Officer CEO (Managing Director) have different responsibilities, and accordingly to avoid conflicting interests and maintain effective supervision of management, different people should fill the two positions. The Board of Directors should appoint the Chairman preferably from among the Independent Directors if possible.

- The Chairman is also responsible for:
 - Facilitating the effective contribution of all Directors.
 - Promoting constructive and respectful relations between Directors and management.
 - Developing a climate of trust within the Board that would contribute to open discussions and constructive dissent.
 - The Board may entrust the Chairman with other specific responsibilities.
 - Setting the agenda meetings (mentioned later in this Code).
 - Ensuring that management submits regular information to the Board.
 - If applicable, navigating the Board evaluation process.

1.1.d Size

- The size of the Board should be small enough (minimum 3) for efficient decision-making and large enough (maximum 13) for Directors to contribute their broad experiences and knowledge sufficiently.
- The Board should consider being comprised of an odd number of Directors to ensure the ability to take decisions by majority or alternatively ensure that the Chairman with the casting vote is an independent Director.

1.1.e Others

- Directors should serve for a specific term between 2-4 years and such term may be renewed for three additional terms. Re-election can occur after a formal performance review and evaluation on the basis of objective criteria and should not be automatic. For small organizations that may opt to re-elect their Directors for more than three terms, such Directors may serve on the Board but they lose their independence and cannot be considered Independent Directors.
- Upon appointment of Directors, a letter of appointment should be issued that clearly stipulates their roles and responsibility, term to serve, their remuneration, objectives to achieve and the anticipated time commitment required. Suggested content of a Director's letter of appointment:
 - Term of appointment.
 - Time commitment envisaged.
 - Powers and duties and any special duties or arrangements attached to the position.
 - Expectations regarding involvement with committee work.
 - Remuneration and expenses.
 - Requirement to be transparent and disclose any matters that may affect or influence judgment.
 - Confidentiality and right to access organization's information.
- Each Director upon appointment should receive some sort of induction to help the Director better understand the organization's business, its strategy, policies, challenges to ensure their effective contribution to the Board.

1.2 Functions

The role of the Board of Directors in every organization has to be clear to avoid any conflicts with executive management and day-to-day operations of the organization.

Principle:

The Board of Directors should:

- Provide continuity for the organization.
- Approve strategy and structure.
- Approve annual financial statements and External Auditor's report.
- Select, appoint, support and review the performance of the CEO.
- Delegate to management.
- Exercise accountability to shareholders and be responsible to relevant stakeholders.
- Take decisions on issues that require Board approval as required by law or the organizations by-laws.

1.2.a Provide continuity for the organization

The Board of Directors should function in a way to ensure the sustainability of an organization by creating succession plans and structures that enable such continuity.

1.2.b Approve strategy and structure

The Board of Directors should review and approve the long-term strategy and direction of the organization and the structure necessary to implement the strategy. In addition to reviewing and evaluating present and future opportunities, threats, and current and future strengths, weaknesses, and risks relating to the organization.

1.2.c Approve annual financial statements and External Auditor's report

The Board of Directors are accountable for the final financial statements that are disclosed to stakeholders and therefore, are responsible for reviewing them and approving them along with the External Auditor's report.

1.2.d Select, appoint, support and review the performance of the Chief Executive Officer CEO (Managing Director)

The Board of Directors is responsible to identify and appoint the most appropriate CEO to manage the organization. The Board is also responsible for supporting the CEO to achieve the desired objectives and for reviewing his/her performance on a regular basis.

1.2.e Delegate to management

The Board of Directors should:

- Delegate certain authorities to management, and monitor and evaluate the implementation of policies, strategies and business plans.
- Determine monitoring criteria to be used.
- Ensure that internal controls are effective.

1.2.f Exercise accountability to shareholders and be responsible to relevant stakeholders

The Board of Directors should:

- Ensure that communications with shareholders and relevant stakeholders are effective.
- Understand and take into account the interests of shareholders and relevant stakeholders.
- Monitor relations with shareholders and relevant stakeholders by gathering and evaluating appropriate information.
- Promote the goodwill and support of shareholders and relevant stakeholders.

1.3 Responsibilities

After identifying the function of the Board and in order to ensure its accountability, it is important to clarify the responsibilities of the Board. The responsibilities of the Directors listed below apply to each member separately.

Principle:

All Directors are required to handle their post with integrity and commitment and to promote ethical and responsible decision-making.

1.3.a Integrity

- Handling information:
 - In their capacity as Directors, Directors will receive and review sensitive information that they cannot use for any purpose other than for the performance of their role.
 - Directors are responsible to handle such sensitive information carefully.
 - Execution of a Code of ethics (please refer to section 5 of this Code).
- Conflict of interest:
 - Directors are responsible to avoid any direct or indirect conflict of interest with the organization.
 - Directors are responsible to disclose to the Board if a conflict of interest exists or arises and such Directors may not vote on such matter.
- Interested Parties:

Subject to the provisions of the Companies Law, Directors should not directly or indirectly enter into transactions with the organization except with specific approval from the Board, clearly indicating necessary reasons and justifications for such transaction.

1.3.b Commitment

- Directors are responsible to ensure that they have all the accurate and necessary information to make informed decisions.
- Directors are responsible to ensure that they have the right know-how and enough time to commit to discharging their role as Director.

1.3.c Ethical and responsible decision-making

Directors are responsible for clarifying the standards of ethical behavior required within the organization and for implementing and observing such standards, within the Board in specific, and throughout the organization in general.

1.4 Remuneration

To ensure the best performance of Board members, it is important to identify a mechanism for remuneration that can act as an incentive for continuously improved performance. Remuneration may come in many different forms; however, the goal of such remuneration is to incentivize long-term performance of the organization and not short-term gains.

Principle:

Remuneration of Board members should be sufficient to attract, retain, and motivate Directors and should be balanced against cost, roles, responsibilities, and performance.

1.4.a Cost

Directors should be compensated for costs incurred acting as Directors. Such costs include travel reimbursements and other expenses that may be incurred and approved upon agreement and without any contradiction with the Companies Law.

1.4.b Roles, responsibilities, and risk

Directors' remuneration should be proportionate to their roles and responsibilities, the time commitment required to fulfil such roles and responsibilities, as well as the associated risks.

1.4.c Performance

Independent Directors should be entitled to performance-based remuneration built on objectives and goals that they are expected to achieve.

1.5 Corporate Secretary

The success and efficient operation of a Board is subject to the communication between Directors, accordingly, it is of value to consider the role of corporate secretary who can provide such support to the Board.

Principle:

The Board should appoint a corporate secretary that should be responsible to:

- Coordinate Board meetings.
- Prepare and disseminate relevant material for such meetings to the Directors in advance.
- Take and document minutes of the meetings.
- Ensure that Board procedures are followed.
- Ensure the Board members sign on the resolutions taken at meetings.
- Follow up an implementation of decisions taken.
- Keep records and documentation of Board meetings.
- Ensure governance practices and policies are complied with prevailing laws and regulations.
- Ensure compliance towards relevant laws and regulations related to the Board's decisions.
- Carry out and coordinate the security of data and documents within the control of the Board.

1.6 Board Meetings

It is important the Board meetings are held and coordinated effectively.

Principle:

The Board should meet sufficiently regularly to perform its roles and responsibilities, which should be at least once a quarter to discuss a range of important issues related to the organization including, but not limited to, the performance of management and the organization.

1.6.a Chairman

- The Chairman should set the agenda of the Board meetings after consultation with the CEO.
- The Chairman, or in his absence, his/her nominee presides over the Board meetings.
- The Chairman should ensure effective participation of the members and enable them to share their opinions freely and independently.

1.6.b Meeting invitation

- Notice of meeting must comply with the relevant provisions of the Companies Law.
- With each invitation, a detailed agenda of the topics to be discussed should be provided with associated documents, material and information that would enable the Directors take informed decisions.

1.6.c Minutes of meeting

Minutes of meeting should cover issues and points raised by Directors, sum up the discussions, take note of vote counts on issues raised, decisions taken, and state any reservation by any Director. Also, attendance of Directors should be noted, along with reasons of absence for absentees.

2. Chief Executive Office CEO (Managing Director)

2.1 Basis of Selection and Appointment

- The selection and appointment of the CEO should

be carried out through deliberation to reach consensus and if consensus is not achieved, the appointment should be carried out by voting.

- The Board should establish a formal succession plan for the CEO.

Principle:

In the selection and appointment of the CEO, Directors should take into consideration the organization's values, objectives, key policies, the required skills set, and character necessary to achieve the desired results.

2.2 Roles

In order to hold the CEO accountable for his/her performance, it is critical that his/her role is clearly defined. In addition to what is stipulated by law and in the organization by-law, it is typical that a CEO undertakes the following roles.

Principle:

A Managing Director should:

- Handle the day-to day operations of the organization.
- Put internal controls in place.
- Be responsible to provide reliable strategies and accurate financial statements.
- Present to the Board performance assessment of the organization.
- Be accountable to the Board for the performance of these responsibilities.

2.3 Responsibilities

Principle:

The CEO is required to handle the post with integrity and commitment and to promote ethical and responsible decision-making.

- Directors should agree, with the CEO, on the terms of reference detailing his/her responsibilities, duties, and powers.
- Directors should empower the CEO with the necessary powers to perform his/her responsibilities and duties.
- Directors should establish clear procedures, to be reviewed annually, representing (i) the CEO's decision-making authority taking into consideration the relevant provisions in the Companies Law; and (ii) reporting requirement to the Board of key decisions made and why.

2.3.a Integrity

- Handling of information:
 - In his/her capacity as the CEO, s/he will receive and review sensitive information that cannot be used for any purpose other than for the performance of his/her role.
 - The CEO is responsible to handle such sensitive information carefully.
 - Execution of a Code of ethics.
- Conflict of interest:
 - The CEO is responsible to avoid any direct or indirect conflict of interest with the organization.
 - The CEO is responsible to disclose to the Board of Directors if a conflict of interest exists or arises.
- Interested Parties:
 - Subject to provisions of the Companies Law, the CEO (Managing Director) should not directly or indirectly enter into transactions with the organization except with specific approval from the Board of Directors, clearly indicating necessary reasons and justifications for such transaction with respect to the Managing Director.

2.3.b Commitment

- The CEO is responsible to ensure that s/he has accurate and necessary information to make informed decisions.

- The Managing Director is responsible to ensure that they have the right know-how and enough time to commit to discharging their role as the Managing Director.

2.3.c Ethical and responsible decision-making

The CEO is responsible for clarifying the standards of ethical behavior required within the organization and implement and observe such standards throughout the organization in general.

2.4 Compensation

Principle:

The CEO should receive fair and equitable compensation for the performance of his/her duties and responsibilities.

- Directors should determine a formal and transparent procedure for the compensation of the CEO and executive management. However, no individual should be responsible for setting their own remuneration.
- In the event the CEO is also a Director on the Board, his/her compensation should take into account remuneration received in his/her capacity as a Board member. However, s/he as a member of the Board must excuse his/herself at any time from involvement in determining the CEO's compensation.
- A suitable proportion of the CEO's or executive management's compensation package should be linked to individual performance and the overall organization's performance aligning the interest of management with that of the organization. A standard for individual and organization performance evaluation may be set to ensure consistency.

3. Committees (Audit, Nomination, Remuneration, etc.)

It is often the case that the Board of Directors requires specialized information or need to address a specific topic in more details above and beyond the meeting times available for the Board. This can be handled through Board committees.

Principle:

The Board of Directors shall set up at least two committees; an Audit Committee and a nomination and remuneration committee. The committees are responsible to examine specific issues and prepare their recommendations to the Board. Only the Board of Directors can take decisions.

Smaller organizations shall set up at least one committee; the Audit Committee.

3.1 Structure

- The Board of Directors should provide a formal description of the qualifications, efforts, and time commitment expected from committee members and set up committee mandates that address the scope and objective of each committee.
- If required, each committee may invite any non-member to attend its meetings and may seek external professional advice subject to the Board's approval.
- After each committee meeting, the committee should submit a report to the Board detailing its discussions, findings and recommendations, a copy of which should be kept with the corporate secretary.
- The Audit Committee and the Nomination and Remuneration committee should be composed of a majority of Independent Directors.

3.2 Audit Committee

The Board of Directors should establish an Audit Committee to undertake the following:

- Review financial statements and management commentary.
- Support financial supervision and increased accountability.
- Ensure that management adequately develops and adheres to internal controls and accounting policies.
- Review the Internal Audit Department's conclusions on a regular basis and ensure that management acts upon the Internal Audit Department's recommendations diligently.
- Ensure compliance with applicable regulations.
- Recommend the External Auditor for appointment.

3.3 Nomination and Remuneration Committee

The Board of Directors should establish a Nomination and Remuneration Committee to undertake the following:

- Review the composition of the Board of Directors.
- Identify and nominate new Directors
- Review succession plans for key executives including CEO and senior managers.
- Propose methodology to review the performance of the Board.
- Set the remuneration structure and policy for key personnel.

3.4 Other Committees

There are other committees the Board of Directors may establish as needed and depending on the business nature of the organization:

- Corporate Governance Committee.
- Risk Management Committee.
- Human Resources Committee.
- Executive Committee.
- Product Development Committee.

4. Board and Committees Evaluation

- To ensure the effective performance of the Board of Directors and each of its committees, it is important to have a formal evaluation process. The Nomination and Remuneration Committee would propose to the Board a methodology for such evaluation.
- The evaluation process serves to:
 - Assess how the Board operates.
 - Checks that the important issues are appropriately addressed.
 - Evaluate the actual contribution of each Director, and their constructive involvement in discussions and decision-making.
 - Act as a check to ensure that the Board's composition is suitable for the organization's objectives.

Principle:

The Board of Directors should regularly (at least once every two years) review its composition and performance.

4.1 Composition

Directors should assess the composition of the Board of Directors to ensure that it has the right skills, diversity, and of the right size to perform its roles and responsibilities.

4.2 Performance

- Directors should assess their performance as individuals, as a Board, and as Committees.
- The evaluation process should be a formal well-defined process, the outcome of which should lead to constructive development such as proposing new Directors for appointment, proposing not to re-elect existing Directors or other action for the effective operation of the Board.

SECTION III. CONTROL ENVIRONMENT

1. Internal Controls

Internal controls are key to the effective implementation and integration of corporate governance throughout an organization.

Principle:

Management should establish and implement, and the Board should be assured that there is, an effective internal control system that provides reasonable assurance that the organization:

- Maintains proper records (financial and operational).
- Its assets are safeguarded against unauthorized use.
- It has effective and efficient operational and administrative internal procedures to guarantee sound and efficient management and complies with applicable laws.

- While management is responsible for establishing and implementing internal control procedures, it is the Board that remains accountable to shareholders for the effectiveness of the organization's control environment.
- The Board should receive regular reports regarding the effectiveness of the internal control system. The Board should monitor the internal control system through an Audit Committee.
- The Board should be notified in a timely fashion in the event any deficiency or inadequacy in the existing control system is identified and they must take adequate action to protect the organization accordingly.
- At least once a year, the Board should review the setup of the internal control and risk management systems, with a view to ensure the material risks are properly identified, managed, and disclosed.

2. Internal Audit Function

Principle:

Organizations should consider establishing an Internal Audit Function with resources and skills relevant and applicable to the organization's nature, size and complexity (this could include the appointment of an Internal Auditor with the relevant experience.)

The Internal Auditor should have a broad scope of work to review all matters within the organization (financial, administrative, operational, etc.) to handle the internal control system effectively. The Internal Auditor should have direct access to the Board and the Audit Committee.

2.1 Authority

The Internal Auditor should be granted authority to access the organization's records.

2.2 Appointment

- The Audit Committee should review the effectiveness of the Internal Auditor. In particular, it should make recommendations on the selection, appointment, reappointment and removal of the head of the Internal Audit Function.
- Internal Auditors appointed should be free from hierarchical ties with the persons subject to their control, in order to prevent interference with their independence of judgment. Accordingly, the Internal Auditor would be appointed and would report to the Audit Committee or to the Board as a whole.

2.3 Responsibilities of Internal Auditor

The Internal Auditor would be responsible for the following:

- Development of annual plans.
- Submission of annual reports to the Audit Committee or to the Board as a whole.

2.4 Management Responsiveness

The Board should monitor the responsiveness of management to the Internal Auditor's findings and recommendations.

2.5 Independence

- The Internal Audit function should be totally independent from the External Auditor function and from the other business units.
- The Internal Auditor should report the following issues directly to the Audit Committee or to the Board; discussion of the main accounting policies, relevant deficiencies, significant flaws in the internal controls and procedures, alternative accounting treatments, disagreements with management, risk assessment, and possible fraud analysis.

3. Risk Management

- The risk management process aims at recognizing, identifying, assessing and controlling any potential occurrences or situations in order to reach a reasonable assurance that the organization's objectives are achieved.
- Organizations are confronted by all sorts of risks; strategic, operational, financial, and compliance risks. Therefore, it is critical to manage such risks for the growth and sustainability of an organization. Furthermore, proper identification and management of risks can also result in capitalizing on opportunities that may create value.

Principle:

The Board should set a risk management framework that is implemented by management. The Board should oversee management's implementation and review the risk management strategy on an annual basis.

A risk management framework should set out the following:

- Identification of key risks and the risk appetite.
- Policies and systems capable of identifying, monitoring and managing risks on ongoing basis.
- Systems to control material risks.
- Performance monitoring mechanisms.

3.1 General

- The organization should have a risk profile that describes the identified material risks facing the organization. Material risks include financial and non-financial matters.
- The risk management framework should be appropriate to the complexity, size, and nature of the organization's business.
- The Board should set the organization's risk appetite and identify what are acceptable risks.
- If senior management decides a certain level of acceptable risks, which is deemed unacceptable by the head of Internal Audit, this may be discussed with senior management to reconsider the decision. If the issue is not agreed upon, it may be referred to the Audit Committee or the Board for resolution.
- The risk management system should assess the effectiveness and contribute to the improvement of the risk management operations.

3.2 Policies

- Risk management should be part of the responsibilities of all senior management and Directors and accordingly training should be provided to give senior management and Directors the necessary background and knowledge to carry out this responsibility.
- The risk management framework should clearly describe the roles and respective accountabilities of the Board, Audit Committee (or other appropriate Board Committee), management, and Internal Audit function in managing risks.
- Employees should be assigned clear responsibility for managing risks as they apply to their role and should be provided with adequate training to enable them to better identify and manage such risks.

3.3 Controlling Material Risk

Policies and procedures may include action plans to eliminate, reduce, divide, or accept material risks.

3.4 Monitoring

- The Board should review the risk strategy regularly to ensure that it meets the requirement of the organization at any particular time.
- The Board should review at least annually the effectiveness of the organization's implementation of the risk strategy.

4. Compliance

Principle:

The Board should establish and maintain controls for compliance. It is of great value to set a tone and culture of integrity and compliance throughout the organization from the Board at the top and through senior and middle management.

4.1 Compliance Officer

- The Board may establish such controls for compliance through a series of policies and procedures that are monitored by the Internal Auditor or alternatively may designate a senior employee with reputable standing, knowledge and experience as a Compliance Officer.
- In the absence of a compliance officer, the corporate secretary can perform the role of compliance.

4.2 Role of Compliance Officer

The role of the Compliance Officer can entail:

- The responsibility and oversight of compliance with the applicable laws and regulations with respect to the business and sector.
- Report directly to the Board on performance and effectiveness of controls for compliance.

- Advise the management and relevant staff regarding any amendments to the laws and provide adequate training on relevant regulatory issues.

5. External Auditor

Principle:

The shareholders shall appoint during their annual general shareholders meeting the External Auditor(s) for one year to be renewable as appropriate based on the recommendation from the Board on their selection, appointment, reappointment, and terms of their engagement.

The External Auditor(s) should maintain a degree of independence and accordingly:

- Cannot be considered independent if the audit partner is retained after four consecutive years.
- Should not be allowed to provide non-audit services that might affect their independence.

The External Auditors shall be accountable to report directly to the Audit Committee or the Board any detected fraud or serious suspicions of fraud.

5.1 Appointment

Since the Audit Committee is mandated to supervise and monitor the internal and External Auditor, the Board shall recommend the External Auditor after consulting with the Audit Committee.

5.2 Independence

- The organization's External Auditor shall perform his duties for one renewable year provided that the audit partner or the co-partner in the External Audit firm may not be involved in auditing the same accounts for more than four consecutive years. He may be reassigned to audit the organization's accounts after at least two years.
- The Board through the Audit Committee should monitor the External Auditor's independence and should obtain a report describing all relationships between the auditor and the organization and its key personnel upon every appointment.

5.3 Non-Audit Services

The Board should identify the types of non-audit services the auditor may provide and disclose that.

5.4 Reporting

External Auditors should be required to report their findings in a timely manner to the concerned persons within the organization, be it the Audit Committee or the Board.

5.5 Monitoring

The Audit Committee or the Board should review the effectiveness of the External Audit and the responsiveness of management to any findings and/or recommendations made by the External Auditor.

6. Conflicts of interest

A conflict of interest may exist when an individual has a vested interest in the subject at hand, which may influence decision making by considering his/her vested interest over that of the organization. Conflicts of interest are critical for the integrity of the organization's operation and therefore need to be carefully reviewed, considered, and managed.

Conflicts of interest may be actual, potential, or perceived and each circumstance should be considered and addressed accordingly.

To demonstrate, without limitation, conflicts of interest may exist under the following circumstances:

- With current, past, or potential contracts with suppliers, distributors, or contractors.
- When individuals have a vested interest in other organizations that have dealings with or a relationship with the current organization.
- When employees working together or reporting to each other are family members.

Principle:

The Board should set clear policies and procedures that identify conflicts of interest and the respective measures taken to avoid or prevent actual, potential, or perceived conflict of interest that could affect the integrity, fairness, and accountability of the organization. Such policies should include but are not limited to:

- What constitutes a conflict of interest.
- Related party transactions.
- The misuse of the organization assets and privileged information for personal advantage.

The Board is responsible for monitoring and managing all types of conflicts of interest to avoid any inappropriate use of the organization's assets, and particularly abusive transactions between related parties.

6.1 Communication

The Board should ensure that policies related to conflicts of interest are communicated effectively to employees and that employees are familiar with the preventative measures.

6.2 Reporting

In the event of a conflict of interest, the person concerned should disclose such a conflict and should not be involved in or have influence on any decision-making in that respect.

6.3 Related Party transaction

- In the event that there is an approved related party transaction, it should be similar to standard market practice and the prices should not deviate from market prices or charging standards.
- For the purpose of this Code, a related party transaction is any transaction entered into between the Company and:
 - Any of its Board members.
 - Its allied companies.
 - Board members and management of an allied company.
 - Saving funds of companies' employees.
 - Joint ventures.
 - Companies controlled by the Board members, management and their families.
 - Any Board member's spouse, children, mother, or father.
 - Any company or entity in which one of the Company's Board members - including Board member's spouse, children, mother, or father - has a direct or indirect stake of more than 10%.

- Any Company or entity that includes on its Board or management a Board member of the Company including the Board member's spouse, children, mother, or father.
- Any transaction that confers a direct or indirect advantage or benefit onto one of the Board members - including the Board member's spouse, children, mother, or father.

SECTION IV. TRANSPARENCY AND DISCLOSURE

To achieve transparency, an organization should disclose clear, holistic, and complete information about its operations. Identifying the relevant information to communicate to each stakeholder group and the form of such communication are essential ingredients to enable the respective stakeholders to evaluate and relate to the organization and its prospects and so to contribute to constructive interaction with the company.

Disclosure is an ongoing responsibility of any organization and organizations should in the least truthfully, accurately, completely, and timely disclose information as required by laws, regulations, and the organization's articles of association.

1. Preamble

Principle:

The Board should set guidelines relating to communication and the information to be disclosed with a focus on substance prevailing over form.

- Disclosure should be made in a timely fashion to ensure fair communication of the disclosed information to all shareholders and relevant stakeholders.
- It is important to consider the language of the information to be disclosed, and consider publishing information in Arabic primarily and English if possible.
- The communication guidelines should aim at promoting effective communication with the stakeholders and encourage effective engagement.
- The guidelines shall also regulate what information to be disclosed and to whom. It is valuable to ensure that there is equal access to information for all shareholders equally.

2. Disclosure Content

Principle:

The organization should voluntarily disclose a balanced assessment of the organization's position and prospects, and in a timely manner, all information that may have a material impact on the decisions of its shareholders and stakeholders.

At least, the organization should disclose in addition to the legal requirements the following:

- A corporate governance statement, which explains compliance and/or non-compliance with this Code.
- Materially significant related party transactions.
- Details of Directors' remuneration.
- Policy for evaluating the Board's performance.

2.1 Corporate Governance Charter

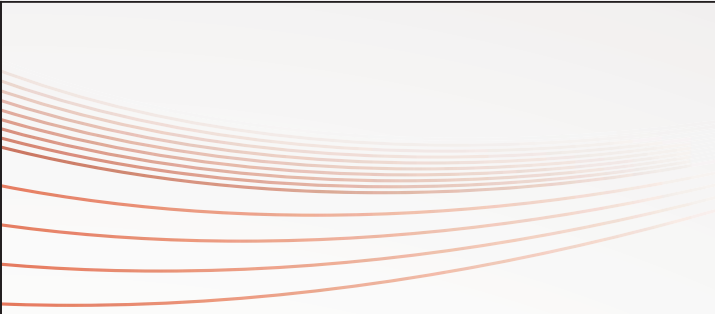
- The organization should establish a corporate governance charter describing the main aspects of its corporate governance policy and that it follows the principles laid down in this Code.
- To maintain timely disclosure, the organization should update its corporate governance charter as often as needed to reflect the organization's corporate governance practices at any given time. Such information can be disclosed on the website making it readily available for review.

2.2. Annual Report

The organization should include in its annual report a chapter on corporate governance describing key corporate governance practices and the degree of its compliance with the provisions of this Code.

2.3. Financial Statements

The Audit Committee should review their choice of accounting standards taking into consideration



international best practices that recommend that companies report on the basis of International Financial Reporting Standards. At the least, financial information disclosed should include (i) financial statements and auditor's report, (ii) income statement, (iii) statement of changes in owners' equity, (iv) cash flow statements, and (v) notes relating to financial statements.

2.4. Non-financial disclosure

Directors should review all of their disclosure standards relating to non-financial information. Non-financial information covers several domains. The following is a sample list of such information:

- Ownership structure including disclosure of shareholders owning more than 10% of shares.
- Directors' shareholdings and any changes therein as well as benefits and remuneration they obtained.
- Directors' attendance of Board meetings.
- Details of loans to Directors and related parties.
- Details of the organization's penalties imposed by any statutory authority.
- Material risk factors and uncertainties.
- The Company's values, mission and objectives.
- Commitment to social responsibility.
- Insider trading policy.
- External Auditor.
- Material issues regarding employees and stakeholders.
- Discussion of recent performance.
- Policy and procedure pertaining to related party transactions including the nature and amount of the transactions.

3. Means of Disclosure

- Organizations should give high attention to the means by which information is disclosed in a transparent manner.

Principle:

Based on the information the organization decides to disclose, the Board should consider the most convenient and effective means of disclosure for the purpose of ensuring transparency. The Board should consider the time sensitivity, confidentiality, and other variables relevant to the information to ascertain the necessary mean of disclosure.

- The internet and other technologies should be used as much as possible to improve speed and allow for a broad and timely disclosure of such information.
- Types of disclosure available include, but are not limited to:
 - Half-yearly reports hand delivered to relevant stakeholders.
 - Quarterly results made public through newspapers.
 - Monthly newsletters made available online.

SECTION V. RIGHTS OF SHAREHOLDERS / PARTNERS

1. Shareholders / Partners

Shareholders are owners of the organization and accordingly, they have certain rights. However, shareholders are often not expected to assume responsibility for the management of an organization and such responsibility is delegated to the Board and management, who then become responsible for the operation of the organization. In such cases the Board and management then become accountable to the shareholders.

It is therefore imperative to acknowledge the rights of shareholders and provide adequate avenues for them to contribute to the organization effectively without getting involved in the day-to-day functioning of the company.

1.1 Fair Treatment of Shareholders / Partners

Each and every shareholder shall be provided with full and accurate information about the organization, unless there is a justifiable reason not to do so. The organization shall not show to certain shareholders information not disclosed to other shareholders. Such information shall be provided to each and every shareholder, irrespective of the class of shares held by such shareholders.

1.2 Equal Rights

- Shareholders shall hold voting rights according to the type and number of shares they are holding.
- The organization may provide a specific section of its website, or other means of communication, to describe the shareholders rights to participate and vote at the general shareholders meeting.

2. Shareholders / Partners Meetings

The organization should respect the rights of shareholders and facilitate the effective exercise of those rights by establishing efficient channels of communication with the shareholders, provide them with balanced and timely information, and make it as easy as possible to engage them in key decisions.

Good corporate governance depends on appropriate frameworks that encourage the shareholders to enter into a dialogue with the management of an organization. This can be encouraged through the strengthening of the role of the general shareholders meeting as a forum for communication and decisions.

Principle:

The organization should ensure that shareholder meetings proceed effectively. They should make every effort, including fully utilizing modern information technology means, to increase the number of shareholders attending the shareholder meetings. The time and location of the shareholder meetings shall be set so as to allow the maximum number of shareholders to participate.

2.1 Communication with Shareholders

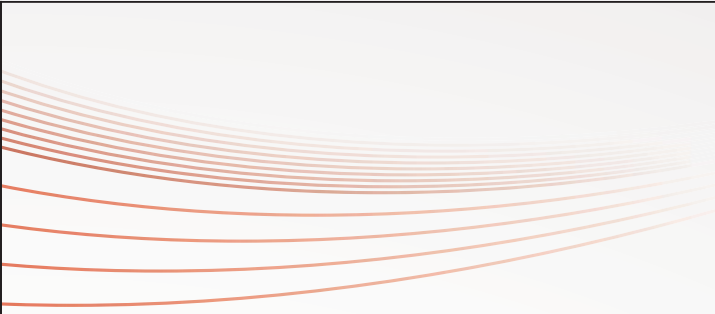
The general shareholders meeting should be used to communicate with shareholders and to encourage their participation.

2.2. Shareholders Responsibility

Shareholders should use the forum of a general shareholders meeting to ensure the organization is properly managed for maximizing the interest of the shareholders based on the mutual understanding of objectives and concerns.

2.3. Effective Participation

The organization should have or establish



appropriate systems that will enable the increased involvement of shareholders to participate effectively and vote in the shareholders' meetings. Those shareholders who are not present should be able to vote in absentia, such as by proxy voting.

2.4. Policies

The organization shall set out convening and voting procedures for shareholders meetings in its articles of association, including rules governing such matters as notification, registration, review of proposals, voting, counting of votes, announcement of voting results, formulation of resolutions, recording of minutes and signatories, public announcement, etc. that encourage as much participation as possible.

2.5. Agenda

- When convening general shareholders meetings, the organization should provide appropriate explanations on agenda items and on resolutions put forward by the Board.
- The organization should make sure that the shareholders have the relevant information to make informed decisions at the shareholders' meetings. It is worth considering making such information should be accessible through electronic means at least 15 days before each meeting.

2.6. Chairperson

- The chairperson of the meetings should provide for the expedient running of the general shareholders meetings and should take the necessary measures for relevant questions from shareholders to be answered.
- The chairperson should ensure that controlling and minority shareholders have equal opportunity to participate in the General Shareholders Meeting.

2.7. Appointment of Directors

- The organization should encourage shareholders to show a greater degree of interest and involvement in the appointment of the Directors and the External Auditors. Shareholders should demand complete information about the Directors before approving their Directorship.
- In the case of appointment of a new Director - or reappointment of a Director - the shareholders must be provided with the following information:
 - A resume of the Director.
 - Nature and history of his/her expertise in specific functional areas.
 - Names of organizations in which the Director also holds a Directorship.

2.8. Controlling Shareholders

For organizations with one or more controlling shareholder(s), the Board should endeavor to have the controlling shareholders make use of their position and respect the rights and interests of minority shareholders.

3. STAKEHOLDERS

Establishing and maintaining a good relationship with stakeholders is key to the success and sustainability of an organization. Stakeholders include all persons or organizations that are directly or indirectly affected by or may affect the decisions and business of an organization.

The legal and other obligations of organizations are not limited to shareholders, but rather are extended to stakeholders such as employees, suppliers, customers, and the community.

The traditional view of capital has expanded to include natural, human, social, and other resources, and it is becoming widely accepted that an organization can enhance its value by better managing these new forms of capital.

Principle:

The management should run and develop the organization with consideration to its stakeholders and ensure successful interaction between the organization and its stakeholders through an open and transparent process.

- The organization should ensure that its stakeholders have opportunities and channels for redress for infringement of any of their rights.
- The organization should encourage stakeholders' input, feedback and engagement regarding the organization's decisions that affect them.
- The organization may adopt a policy on how to manage its relationship with its stakeholders.

4. CODE OF CONDUCT

Principle:

The organization should have a Code of Conduct with effective reporting and enforcement mechanisms.

4.1 Compliance

- Directors, managers, and employees should agree to abide by this Code of Conduct.
- The Code of Conduct should be included in the orientation for all new Directors and employees.

4.2 Review

The Code of Conduct should be reviewed by directors on an annual basis.

4.3 Whistleblowing

The Code of Conduct should provide a mechanism for employees to alert management and the Board to potential misconduct without fear of retribution, and violations of the Code should be addressed promptly and effectively.

4.4 Scope

- The Code of Conduct may establish the social and environmental duties of the organization.
- The Code of Conduct may cover some of the following subjects:
 - Compliance.
 - Corruption.
 - Conflicts of interest.
 - Privileged information.
 - Gift receiving.
 - Discrimination at the workplace.
 - The environment.
 - Community relations.
 - Company share-trading policies.
 - Fraud prevention.

ANNEX A: BENEFITS OF CORPORATE GOVERNANCE

Corporate Governance plays an important role in enhancing the investment environment and creates a multitude of benefits to organizations and their shareholders as follows:

Benefits to Organizations:

Compliance with corporate governance principles recommended in this Code can benefit the owners, managers of organizations, and stakeholders and increase transparency and disclosure by:

- Improving access to capital and financial markets.
- Helping to survive in an increasingly competitive environment through mergers, acquisitions, partnerships, and risk reduction through asset diversification.
- Providing an exit policy and ensure a smooth inter-generational transfer of wealth and divestment of family assets, as well as reducing the chance for conflicts of interest to arise.
- Adopting good corporate governance practices leading to better internal control systems, greater accountability, and better profit margins.
- Paving the way for possible future growth, diversification, or a sale, including the ability to attract equity investors – from Jordan and abroad – as well as reduce the cost of credit.
- Reducing the costs of elevating investor's confidence. Organizations seeking new funds often find themselves obliged to undertake serious corporate governance reforms at a high cost and upon the demand of outsiders, often in a time of crisis. When the foundations are already in place investors and potential partners will have more confidence in investing in or expanding the company's operations.
- Managing risks as in the event of the appearance of risk and/or crises, they will be managed in a timely manner and/or avoided, therefore minimizing damage and costs.

Benefits to Shareholders:

- Good corporate governance can provide proper incentives for the Board and management to pursue objectives that are in the interest of the company and shareholders, as well as facilitate effective monitoring.
- Better corporate governance can also provide Shareholders with greater security on their investment.
- Better corporate governance also ensures that shareholders are sufficiently informed on decisions concerning fundamental issues like amendments of statutes or articles of incorporation, sale of assets, etc.

Benefits to the Jordanian Economy:

- Empirical evidence and research conducted in recent years support the proposition that it pays to have good corporate governance. It was found out that more than 84% of the global institutional investors are willing to pay a premium for the shares of a well-governed company over one considered poorly governed but with a comparable financial record.
- The adoption of corporate governance principles can play a significant role in increasing the corporate value of a company.

ANNEX B: INDEPENDENT DIRECTOR

An Independent Director is a Non-Executive Director who has all the below characteristics:

- Is not and has not, for the past three years, been employed in any capacity in the organization or any associated organization.
- Is not receiving significant additional remuneration from the organization or any associated organization apart from a fee received as Non-Executive Director.
- Does not own, directly or indirectly, a quantity of shares which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the organization.
- Is not a close family member of any other Director or any senior personnel of the organization or any associated organization.
- Does not directly or indirectly have any business relationships with the organization, or any associated organization, senior personnel or the shareholders.
- Is free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the organization or is in conflict therewith.