

**Ministerial Resolution No. (518) of 2009**  
**Concerning**  
**Governance Rules and**  
**Corporate Discipline Standards**

**The Minister of Economy and Chairman of the Board of Directors of the Authority;**

Having perused Federal Law No. (8) of 1984 Concerning Commercial Companies and the amendments thereto;

Law of Civil Transactions, promulgated by Federal Law No. (5) of 1985;

Federal Law No. (22) of 1995 Organizing the Auditing Profession and the amendments thereto;

Federal Law No. (4) of 2000 Concerning the Emirates Securities and Commodities Authority and Market and the amendments thereto;

Federal Decree No. (18) of 2009 Forming the Cabinet of the United Arab Emirates;

Cabinet Resolution No. (12) of 2000 on the Regulations of Listing of Securities and Commodities and the amendments thereto;

Cabinet Resolution No. (13) of 2000 on the Regulations of the Operations of the Securities and Commodities Authority (SCA) and the amendments thereto;

Cabinet Resolution No. (194/15) of 2006 Forming the Board of Directors of the Securities and Commodities Authority (SCA);

Ministerial Council for Services Resolution No. (3/3) of 2007 Authorizing the Securities and Commodities Authority (SCA) to receive applications for incorporation of public joint stock companies, to complete and supervise all relevant procedures;

The Authority Board Resolution No. (3) of 2000 on the Regulations of Disclosure and Transparency and the amendments thereto;

The Authority Board Resolution No. (7) of 2002 on the Regulations of Listing of Foreign Companies;

The Authority Board Resolution No. (43/R) of 2008 Concerning Joint Listing;  
and

Following consultations and coordination with the concerned bodies in the United Arab Emirates:

**Has resolved to approve the Governance Rules and Corporate Discipline Standards.**

**Article (1)**  
**Definitions**

For the application of the Resolution, the following terms and phrases shall have the meaning set against each, unless the context otherwise requires:

<b>Law</b>	:	Federal Law No. (4) of 2000 Concerning the Emirates Securities and Commodities Authority and Market and the amendments thereto;
<b>Authority</b>	:	Securities and Commodities Authority (SCA);
<b>Board</b>	:	Board of Directors of the Authority;
<b>Market</b>	:	A Securities and Commodities Market that is licensed and authorized by the Authority to operate in the country
<b>Corporate Governance</b>	:	a set of rules, standards and procedures that aim at achieving corporate discipline in the management of the company in accordance with international standards and approaches through determination of responsibilities and duties of members of boards of directors and the executive management of the company, taking into consideration protection of shareholders' and stakeholders' equity;
<b>Company</b>	:	a joint stock company whose securities are listed on a Market;
<b>Board of Directors</b>	:	the board of directors of a Company
<b>Management</b>	:	the executive management of a Company, including the general manager/executive director and chief executive officer or the managing director that is authorized by the members of the board of directors to manage the Company and their deputies;
<b>The Company Manager</b>	:	the general manager, executive director or chief executive officer of a Company who are appointed by the board of directors
<b>Board Member</b>	:	a natural or corporate person who is selected to be a member of the board of directors of a Company
<b>Executive Board Member:</b>	:	a member who is dedicated on a full-time basis to the management of a Company or who receives a monthly or annual salary from a Company;
<b>Non-Executive Board Member:</b>	:	a member who is not dedicated on a full time basis to the management of a Company or does not receive a monthly or annual salary from a Company. The remuneration received as a board member may not constitute a salary;
<b>Independent Board Member</b>	:	a member who neither himself/herself, his/her spouse nor first-degree relative is a member of the executive management of a Company during the last two years or has a relationship that creates financial deals with a Company, parent company, sister company or allied company during the last two years if the total amount of these transactions exceeds 5% of the paid-up capital of the Company, an amount of five million dirhams (AED 5,000,000.00) or an equivalent amount in a foreign currency, whichever is less;

In particular, a board member does not meet the independence condition in the following cases:

- he/she is an employee of any party related to the Company during the last two years;
- he/she is directly related to a Company that performs consultation business or provides consultations to the Company or any parties related thereto;
- he/she enters into personal service contracts with the Company, any party related to the Company or the employees of the executive management of the Company;
- he/she is directly related to a non-profit organization that receives a considerable financing from the company or a party related thereto;
- he/she is during the last two years related to or an employee of any external or former auditor of the Company or any party related to the Company;
- if his/her or his/her minor children's share or the share of both in the capital of the company amounts ten percent (10%) or more.

<b>First-Degree Relative Compliance Officer</b>	:	father, mother, children, spouse, spouse's father, spouse's mother and stepchildren
	:	a person that is appointed by a Company to verify compliance by the Company and its employees with the Law, the regulations and resolutions thereby issued as well as internal policies and procedures;
<b>Listing Rules</b>	:	rules and requirements of listing under the Law, the regulations and resolutions thereby issued as well as the internal regulations of the Market;
<b>Disclosure Rules</b>	:	rules and requirements of disclosure under the Law, the regulations and resolutions thereby issued;
<b>Material Information</b>	:	any event, fact, resolution or information that may directly or indirectly affect price or circulation of security or may have effect on a person's decision to purchase, retain, sell or dispose of a security;
<b>Stakeholders</b>	:	each person that has interest in a Company such as shareholders, employees, creditors, clients, suppliers and prospective investors
<b>Parent Company</b>	:	a Company holding more than 50% of the capital of any other company;
<b>Subsidiary</b>	:	a company in respect of which at least 50% of its capital is held by another company
<b>Sister Company</b>	:	a company that is an affiliate to the same group to which another company is an affiliate
<b>Allied Company:</b>	:	a company that is engaged by virtue of a cooperation and coordination contract with another company; and
<b>Cumulative Voting</b>	:	each shareholder shall have a number of votes that is equal to the number of shares he/she holds, to be applied towards voting for only one nominee to the membership of the board of directors or distributed to selected nominees; provided, however, that the number of votes given to selected nominees should not exceed the number of held votes.

**Concerned parties** \* : The chairman and members of the board of directors; members of the senior executive management; companies where any of the aforesaid have a controlling share; and parent, subsidiary, sister or allied companies.

### **Article (2)\***

#### **Scope of Application of the Resolution**

- a. The Securities and Commodities Authority shall be charged with the supervision, control and verification of compliance by Companies with the rules and provisions hereunder.
- b. This Resolution applies to all companies and institutions whose securities are listed on a securities market in the country and to their board members.
- c. This Resolution does not apply to:
  - (1) Companies and institutions that are wholly owned by the Federal Government or a local government.;
  - (2) Banks, finance companies, financial investment companies, money exchange companies, monetary brokerage companies that are under the supervision of the Central Bank; and
  - (3) The foreign companies that are listed in any of financial markets.

### **Article (3)**

#### **Board of Directors of the Company**

1. A Company shall be managed by a board of directors. The articles of association shall determine the method of formation of the board of directors, number of board members and term of membership.
2. The members of the first board of directors of a Company shall be elected by the founders, while the members of subsequent boards shall be elected for a fixed term by the Company's shareholders and the formation of the board of directors shall take into consideration an appropriate balance between executive, non-executive and independent board members; provided that at least one-third of members shall be independent members and a majority of members shall be non-executive members who shall have technical skills and experience for the good of the Company. In all cases, when selecting non-executive members of the Company, it shall be taken into consideration that a member shall be able to pay adequate time and effort to his/her membership and that such membership is not in conflict with his/her other interests.
3. No person may simultaneously assume the offices of the chairman of the board of directors, the Company manager and/or the managing director.

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\* Definition of (Concerned parties) has been added according to Ministerial Resolution No. (239-1) of 2012.

\* Article (2) has been amended according to Ministerial Degree No (84) of 2010 which issued on 7/3/2010

4. Each board member shall assume office until the term of his/her membership expires or his/her resignation is approved by a board resolution, upon his/her death or deposal by a resolution by the general assembly of the Company.
5. In case a member's office becomes vacant, the board of directors may appoint a member to fill such vacancy and the matter shall be referred to the first meeting of general assembly for ratification of this appointment or the appointment of a replacement member, unless the articles of association of the Company otherwise provide. In case 25% of membership becomes vacant, the general assembly shall be convened for a meeting within a period not exceeding three months from the date of last vacancy to elect persons to fill such vacancies.
6. The board of directors shall meet at least once every two months at the written notice of the chairman of the board of directors or at a request in writing made by at least two members of the board, which convention shall, together with the meeting agenda, be served at least one week prior to the fixed date of the meeting. Each member shall have the right to include any issue it deems necessary to be discussed by the meeting.
7. A meeting of the board of directors shall only be valid at the attendance of a majority of members. The resolutions of the board of directors shall be issued at the majority of votes of attending and represented members. On equal voting, the chairman shall have the casting vote.
8. Without prejudice to the above clause (7), the board of directors may exempt some resolutions to be passed in emergency cases, subject to the following conditions:
  - a. passage of resolutions may not exceed four times per annum;
  - b. majority approval of the board members is in place that the case entailing passage of resolution is an emergency;
  - c. the board members shall receive the resolution in writing for approval, together with all necessary documents for review; and
  - d. any passed resolutions of the board of directors shall be approved in writing by a majority and shall be forwarded to the next meeting of the board of directors to be included in the meeting minutes.
9. The minutes of meetings of the board of directors or its committees shall reflect details of considered issues and adopted resolutions, including any reservations or objecting opinions raised by members. All attending members shall sign the draft minutes of the meetings of the board of directors prior to approval and copies of these minutes shall, following approval, be sent to members for record keeping purposes. Minutes of meetings of the board of directors and board committees shall be kept by the board reporter. In case a member refuses to sign, his/her objection shall, together with the causes of the objection, if revealed, be reflected in the meeting minutes.
10. In case a board member is a subject to conflict of interest in an issue to be considered by the board of directors and the board resolves that it is a material issue, the board resolution shall be issued at the attendance of majority of members and such interested member may not vote over the resolution. In exceptional cases, these issues may be handled through

board subcommittees formed for this purpose by a board resolution and the committee's opinion shall be referred to the board of directors to make a decision in this regard.

11. The board of directors may, at its own expense by a resolution adopted by majority of attending members, request an external consultation opinion in any issues related to the Company, provided that conflict of interests shall be avoided.
12. The board of directors shall develop procedural rules for corporate governance, supervise and control the application of the same, in line with the provisions of this Resolution and shall be liable for the application thereof in accordance herewith.
13. The board of directors shall seek to lay down suitable development programs for all members of the board of directors to improve their knowledge and skills and ensure effective participation in the board of directors.
14. The board of directors shall lay down written rules in respect of the dealings of the members of the board of directors and employees of the Company in securities issued by the Company, parent company, subsidiary or sister companies.

**Article (4)**  
**Chairman of the Board of Directors**

In particular, the chairman of the board of directors shall assume the following duties and responsibilities:

1. he shall ensure that the board of directors acts efficiently, fulfills its responsibilities and discusses all its suitable main issues on a timely basis;
2. he shall develop and approve the agenda of each board meeting, taking into consideration any issues that members propose to be included in the meeting agenda. The chairman of the board of directors may assign this responsibility to a certain member or board reporter under his own supervision;
3. he shall encourage all members to completely and efficiently participate in the board in order to ensure that the board of directors acts for the best interest of the company;
4. he shall adopt suitable procedures to secure efficient communication with shareholders and communicate their views to the board of directors; and
5. he shall facilitate effective participation of non-executive board members and develop constructive relations between executive and non-executive members.

**Article (4)/ bis\***  
**Determining the Tasks and Duties of those in charge of a company's management**

The tasks and duties of the chairman of the board of directors or those in charge of the management of a company may be determined in its articles of association, provided that such tasks and duties shall include adequate powers to run the business of the company and to take whatever necessary to maintain its assets and perform the work honestly and faithfully in a manner not detrimental to the interests of the company and the shareholders .Such powers, whether administrative, financial or others, may be determined by a resolution of the company's general assembly.

**Article (5)**  
**Members of the Board of Directors**

1. The management shall make a newly-appointed board member aware of all departments and divisions of the Company and provide him/her with all necessary information to ensure that he/she soundly understands the activities and operations of the Company and completely comprehends his/her responsibilities as well as all duties he/she can duly assume under applicable laws and legislations, other regulatory requirements and the Company's policies in its field of operations.
2. The management shall provide the board of directors and its sub-committees with sufficient complete documented information on a timely basis to empower the board to adopt decisions on sound grounds and duly perform its duties and responsibilities and the board of directors shall adopt all means to acquire information that enables it to make decisions on reasonable sound grounds.
3. The member shall, when exercising his/her powers and duties, act honestly and loyally, taking into consideration the interests of the Company and its shareholders, make the utmost effort and adhere to applicable laws, regulations and resolutions as well as the articles of association and internal regulations of the Company.
4. The duties of non-executive board members shall, in particular, include:
  - a. participation in board meetings to give an independent opinion in respect of strategic issues, policy, performance, accounting, resources, basic appointments and standards of operation;
  - b. giving priority to the interests of the Company and its shareholders upon conflict of interest;
  - c. participation in the audit committees of the Company;
  - d. follow-up of the Company's performance in order to achieve agreed objectives and purposes and oversee performance reports; and
  - e. empowering the board of directors and different committees through utilization of their skills and experience and the diversity of their competences and qualifications through regular attendance, effective

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\* Article (4)/ bis has been added according to Ministerial Resolution No. (239-1) of 2012.

participation, attendance of general assembly meetings and developing a balanced understanding of shareholders' views.

5. Each board member shall, when assuming his/her office duties, disclose to the Company the nature of positions he/she assumes in companies and public institutions as well as other obligations, their set term and any changes thereto, once the same take place.

**Article (6)**  
**Board Committees**

1. The board of directors shall form standing committees to be directly affiliate to the board as follows:
  - a. The audit committee to assume the duties stipulated under Article (9) hereof;
  - b. The nomination and remuneration committee to be mainly charged with:

- (1) Verification of ongoing independence of independent board members. If the committee discovers that any of the members do not meet the independency criteria, it shall present this matter to the company's board of directors and the board shall notify the member by a letter to be sent by registered mail to the members' registered address recorded in the company's files and shall address the reasons for the lack of independency; such member shall provide clarification to the board within fifteen days from the date of the notification.

The board of directors in its earliest meeting after the member's response or after the expiry of the period preferred to above, shall issue a decision confirming whether the member is considered independent or not.

Even when such board member is no longer meeting the independence criteria and such situation does not result a breach to the minimum requirement for the number of independent board members, the same must be taken into account when establishing board committees.

Notwithstanding provisions of Article (102) of the Commercial Companies Law, if the board decision holding that the member is no longer independent is to impact the minimum requirements for the independent board members, the board shall appoint a new member replacing such member and such appointment shall be reviewed by at the earliest general assembly of the company in order to give effect to the decision of the board.\*

- (2) formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to board members and employees of the Company and the committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance.

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\* Clouse (1/b/1) of Article (6) has been amended according to Ministerial Degree No (84) of 2010



- (3) determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection;
  - (4) formulation, supervision of application and annual review of the Company's human resources and training policy; and
  - (5) organization and follow-up of procedures of nomination to the membership of the board of directors in line with applicable laws and regulations as well as this Resolution.
2. Committees shall consist of at least three (3) non-executive board members, of whom at least two (2) members shall be independent members and shall be chaired by either independent members. The chairman of the board of directors may not be a member of any such committees. The board of directors shall select non-executive board members for the committees charged with the duties that may result in conflict of interests, such as verification of the integrity of financial and non-financial reports, review of deals concluded with interested parties, selection of non-executive board members and fixation of remuneration.
3. The committees shall be formed pursuant to procedures that are laid down by the board of directors and shall determine the duties, term and powers of the committee as well as the approach of the board's control thereover. The committee shall transparently make a report in writing to the board of directors setting forth the procedures, results and recommendations that the committee reaches. The board of directors shall follow up the operations of these committees to verify their adherence to the commissioned operations.

#### **Article (7)**

##### **Remunerations of Board Members**

Pursuant to Article (118) of the Law of Commercial Companies No. (8) of 1984, the remunerations of board members shall be a percentage of net profit. Moreover, the Company may pay ancillary expenses or fees or a monthly salary in the amount fixed by the board of directors to any member if such a member works in any committee, exerts special efforts or undertakes additional duties for the Company beyond his/her normal duties as a member of the board of directors of the company. In all cases, the remunerations of board members may not exceed ten percent (10%) of net profits, having deducted Depreciation, reserve and distribution of a dividend of at least five percent (5%) of capital to shareholders.

#### **Article (8)**

##### **Internal Control**

1. A Company shall apply a precise internal control system that aims at developing an assessment of the Company's risk management means and measures, sound application of governance rules, verification of compliance by the Company and its employees with applicable laws, regulations and resolutions that govern its operations, as well as internal procedures and policies and review of financial information that is forwarded to the Company's senior management and used for drafting financial statements.

2. The board of directors shall issue the internal control system following consultation with the management and shall be put into implemented by an internal control competent department.
3. The board of directors shall determine the objectives, duties and powers of the internal control department that shall enjoy adequate independence to perform its duties and shall directly report to the board of directors.
4. The board of directors shall conduct an annual review to ensure efficiency of the internal control system in the Company and its subsidiaries and disclose reached results to shareholders through the corporate governance annual report.

The annual review shall specifically cover the following elements:

- a. basic control elements, including control over financial affairs, operations and risk management;
  - b. changes that take place since the last annual review has been conducted to the nature and extent of major risks and the Company's ability to respond to changes of operations and external environment;
  - c. scope and nature of ongoing control by the board of directors over risks, internal control system and external auditors' operations;
  - d. frequency of reporting to the board or the board committees on the results of control to enable the board to assess the position of internal control in the Company and efficiency of risk management;
  - e. detected weaknesses and shortcomings of the control system or unexpected emergencies that have materially affected or may materially affect the performance or financial position of the Company; and
  - f. efficiency of the Company's operations in respect of financial reporting and adherence to listing and disclosure rules.
5. The board of directors shall disclose in the corporate governance report the scope of a Company's compliance with the internal control system during the report covered duration. Such disclosure shall cover:
    - a. the mechanism of operation of the Company's internal control department;
    - b. the procedure that the Company has adopted to determine, assess and manage considerable risks;
    - c. any additional information to assist understand operations of the Company's risk management and internal control system;
    - d. an acknowledgment by the board of directors confirming responsibility of the board for the application, review and efficiency the Company's internal control system;
    - e. the procedure that the Company has adopted to review the efficiency of the internal control system; and
    - f. the procedure that the Company has adopted to handle material internal control aspects of any serious problems that have been disclosed in the annual accounts and reports.

6. The board of directors shall make sure that the Company's disclosures provide sufficient, accurate and true information for investors and reflect complete compliance with disclosure rules.
7. The Company shall appoint a Compliance Officer who shall be charged with duties of verification of the scope of compliance by the Company and its employees with issued laws, regulations and resolutions. One person may assume the positions of compliance officer and director of internal control department at the same time.

**Article (9)**  
**The Audit Committee**

1. The board of directors shall form an audit committee consisting of non-executive board members, provided that majority of the Committee's members shall be independent members. The Committee shall consist of at least three (3) members, of whom a member shall be an expert in financial and accounting affairs. One or more members from outside the Company may be appointed in case the number of non-executive board members is not sufficient.
2. A former partner of the external audit office charged with the audit of the Company's accounts may not be a member of the Audit Committee for a term of one (1) year from the expiry date of his/her partnership capacity or any financial interest in the audit office, whichever is later.
3. The Committee shall meet at least once on a quarterly basis or whenever necessary. The minutes of the Committee's meetings shall be kept by the reporter and draft meeting minutes shall be signed by attending members prior to approval. In case a member refuses to sign, his/her objection shall, together with the causes of objection, if revealed, be reflected in the meeting minutes. Members shall be served final versions of the minutes following approval for keeping.
4. A Company shall provide the Audit Committee with adequate resources to perform their duties, including authorization to seek the help of experts, whenever necessary.
5. The Audit Committee shall assume the following duties:
  - a. it shall develop and apply the policy for contracting with external auditors and make a report to the board of directors to set forth the issues in respect of which an action shall be adopted together with recommendations on necessary to-be-adopted steps;
  - b. it shall follow up and oversee the independence and objectivity of the external auditor and hold discussions with the external auditor on the nature, scope and efficiency of auditing pursuant to approved audit standards;
  - c. it shall oversee the integrity of and review the Company's financial statements and annual, semiannual and quarterly reports in the course of its operations during the year and shall, in particular, focus on:
    - (1) any changes of accounting policies and practices;
    - (2) highlighting matters that are subject to the management's judgment;

- (3) material amendments emerging out of auditing;
  - (4) Assumption of the Company's going concern;
  - (5) adherence to the accounting criteria set by the Authority; and
  - (6) adherence to listing and disclosure rules as well as other financial reporting legal requirements;
- d. it shall coordinate with the board of directors, the executive management and the financial manager or the manager assuming the same duties in the company in order to duly fulfill its duties. The Committee shall hold a meeting with the company's external auditor at least once per annum;
  - e. it shall consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the compliance officer or the external auditor;
  - f. it shall review the Company's financial control, internal control and risk management systems;
  - g. it shall discuss the internal control system with management and make sure that it fulfills its duty to develop an effective internal control system;
  - h. it shall consider findings of main investigations into internal control issues to be assigned thereto by the board of directors or at the initiative of the Committee upon the approval of the board of directors;
  - i. it shall ensure coordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body;
  - j. it shall review the Company's financial and accounting policies and procedures;
  - k. it shall review the mission and action plan of the external auditor and any material inquiries raised by the auditor to the management in respect of accounting records, financial accounts or control systems, respond thereto and approve the same;
  - l. it shall make sure that the board of directors responds on a timely basis to inquiries and material issues raised in the external auditor's mission;
  - m. it shall develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations;
  - n. it shall oversee the scope of the Company's compliance with its code of conduct;
  - o. it shall ensure application of rules of operation in connection with their duties and powers assigned thereto by the board of directors.
  - p. it shall make a report to the board of directors on the issues set in this clause; and

- q. it shall consider any other issues as the board of directors may determine.
6. In case the board of directors disapproves of the recommendations of the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor, the board of directors shall include in the governance report a statement that explains the recommendations of the Audit Committee and causes of the board's disapproval.

**Article (10)**  
**The External Auditor**

1. The board of directors shall nominate an external auditor at the recommendations of the Audit Committee. Appointment shall be made and remunerations shall be fixed by a resolution of the general assembly of the Company.
2. The external auditor shall be selected on ground of efficiency, reputation and experience.
3. The external auditor shall be independent from the Company and its board of directors and may not be a partner, agent or a relative, even of the fourth degree, of any founder or board member of the Company.
4. A Company shall adopt reasonable steps to ensure independence of external auditor and that all operations performed by the external auditor are free from any conflict of interests.
5. \*
6. The external auditor may not, while assuming the auditing of the Company's accounts, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that, in the discretion of the Authority, may not be rendered, in particular:
  - 1) Any other accounting services or works in connection with accounting records and financial statements, excluding routine accounting services that may be rendered by the auditor to a subsidiary of the Company it audits accounts thereof, where the following conditions are met:
    - a) the service rendered by the auditor does not require issue of awards;
    - b) the subsidiary is not a material part for the Company whose accounts are audited by the auditor;
    - c) these services are clearly small for the auditor and the subsidiary; and
    - d) the auditor's provision of this service does not materially affect the financial information of the parent Company.
  - 2) Design or application of any information systems if they can have a material effect on financial information or relevant control systems. Satisfaction of these conditions shall be verified by the Audit Committee.

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\* Clause No (5) of Article (10) has been omitted according to Ministerial Degree No (84) of 2010

- 3) Provision of any internal audit services or works by means of subcontracting.
- 4) Provision of any actuary services or works.
- 5) Provision of any assessment or valuation services or works of the Company during performing or taking part in the audit.
- 6) Provision of any administrative services or works or employment services for the Company's financial management human resources or administrative positions, starting from heads of divisions as well as higher and lower administrative or supervisory positions.
- 7) Provision of any stock brokerage services or works.
- 8) Provision of any consultations, excluding the following investment consultations:
  - Assisting customer to prepare feasibility studies and strategic plans.
  - Capital restructuring consultations.
  - Auditing services to the companies that the customer intends to purchase.

In these exceptional cases, the Audit Committee shall verify that:

- a) policies and procedures are in place to prevent the auditor's employees from making a decision in connection with the Company management;
  - b) the auditor's employees who provide these services may not take part in the audit process;
  - c) the auditor's fees for these services may not be material; and
  - d) the subject of service may not be of value or effect on the financial information of the Company it is assuming the audit thereof.
- 9) Provision of any legal services or expertise, excluding assistance in connection with a lawsuit before courts.
7. The external auditor shall attend general assembly meetings and recite its report to shareholders, setting forth any hurdles or interventions on the part of the board of directors while fulfilling its duties, its remarks on the accounts and financial position of the Company as well as any violations therein and its report shall be independent and impartial.
  8. The external auditor shall report to regulatory bodies any material violations or hurdles and their details in case the board of directors does not make suitable decisions thereon.

#### **Article (11)** **Delegation of Management**

The board of directors may delegate a board member or the executive management in some administrative issues in which it has the authority to make a decision. In this case, it shall make clear directives with regard to the management powers, in particular such cases in which the management shall obtain the prior approval of the board of directors before making any decisions

or concluding any obligations on behalf of the company and a written list shall be formulated to reflect the duties and competencies that the board of directors assumes as well as duties and competencies delegated to the management and these duties and competencies shall be periodically reviewed.

Each delegation shall be specified in terms of subject and duration and shall set a date for forwarding the results of delegation to the board members.

**Article (12)**  
**Shareholders' Rights**

1. Shareholders shall have all share related rights, in particular the right to receive their share of dividends allocated for distribution and of assets on liquidation, attend general assembly meetings, take part in deliberations, vote on general assembly resolutions, dispose of shares, have access to the Company's financial statements and reports and may request to peruse the Company's records and documents at the permission of the board of directors or the general assembly pursuant to the Company's articles of association.
2. A Company's articles of association and internal regulations shall include necessary procedures and rules to ensure the exercise by all shareholders of all their regulatory rights including:
  - a. provision of all information that enables shareholders to exercise their rights duly and indiscriminately, including their awareness of the rules that govern general assembly meetings and voting procedures. Such information shall be complete and accurate and shall be provided and updated regularly on a timely basis, including any information with regard to the Company's plans before voting in meetings or any other information;
  - b. providing an opportunity to all shareholders to take an effective part in the deliberations of the general assembly meetings and voting of resolutions. Shareholders shall have the right to discuss and raise questions over agenda issues to the board members and the external auditor and the board of directors and external auditor shall answer such questions to the extent that the interests of the Company are not compromised;
  - c. provision of a biography of nominees to the membership of the board of directors before voting, including giving shareholders a clear idea of the practical experience and academic qualifications of nominees and the selection of members shall be made by cumulative voting;
3. the board of directors shall disclose material events, significant resolutions and shall clarify information with regard to the positions and activities of the Company and the board shall develop a clear policy on dividend distribution for the best interests of shareholders and the Company. Shareholders shall be made aware of this policy in the general assembly meeting and the same shall be reflected in the board's report;
4. Members of the board of directors may not get proxies from shareholders to attend on their behalf in the general assembly meetings; and
5. A company shall open nomination to membership of the board of directors by announcement in two daily newspapers, of which at least one newspaper is issued in Arabic. Such announcement shall clarify that the

company will publish names of the candidates along with their relevant details at the sign board in the company, on its website or by any other means acceptable to the Authority at least two weeks of the in advance of the general assembly meeting and provide the Authority with a list of names of the candidates.

The nomination to the membership of the board shall be kept opened for at least one month from the date of the announcement and any shareholder that meets nomination criteria pursuant to the Law and the company's articles of association may stand for election to the membership of the board of directors by virtue of an application files together with his/her biography and information on the capacity in which he/she is willing to stand for election.\*

**Article (12)/bis\***

**Disclosure of the Concerned Parties**

1. If one of the concerned parties has an interest or benefit, either directly or indirectly in any transaction made or to be made with the company, the parent company or any of its subsidiaries or sister companies, and such interest or benefit involve or may involve a conflict with the interests of the company, such concerned party must disclose by means of a written letter addressed to the Board of Directors stating the nature and extent of his interest or benefit within a period of no more than three business days commencing from the day when the concerned party becomes aware of the conflict of interest that require disclosure. The details of such conflict of interest shall be included in the financial report presented by the auditor of the company to the general assembly in the annual meeting .If the concerned party was a shareholder in the company, he may not vote on the general assembly's resolution to be issued regarding his transaction.
  
2. If the concerned party fails to disclose his interests or benefits as described in item (1) here the board of directors of the company or any shareholder therein may file a petition with the competent court to suspend the transaction subject matter of the violation and compel the concerned party to pay to the company any profits or benefits he realized . The Court may issue its discretion in this regard, taking into account neither to prejudice the interests of bona fide third parties nor to expose the company's interests to risk .

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\*Clouse No (12) of Article (12) has been amended according to Ministerial Degree No (84) of 2010.

\* Article (12)/ bis has been added according to Ministerial Resolution No. (239-1) of 2012.



**Article (13)**  
**Code of Conduct**

A Company shall approve the code of conduct along with other internal policies and principles in conformity with the objectives and purposes of the Company and it shall adhere to applicable laws and regulations. These rules shall apply to board members, directors, employees and the internal auditor in the course of fulfillment of their duties.

Companies shall apply an environmental and social policy towards the local society.

**Article (14)**  
**Corporate Governance Report**

The corporate governance report is a report signed by the chairman of the board of directors of a Company and is forwarded to the Authority on an annual basis or at request during the accounting period covered in the report or for a subsequent period up to the publication date of the annual report, which shall cover all information and details in the form issued by the Authority, in particular:

1. requirements and principles of completion of corporate governance system and approach of their application;
2. violations committed during the financial year, reflecting their causes as well as the method of remedy and avoidance of future occurrence; and
3. method of formation of the board of directors in terms of member classes, term of membership, means of remuneration fixation as well as the remuneration of the general manager, executive director or chief executive officer of the Company as appointed by the board of directors.

The board of directors shall make this report available to all the Company's shareholders a sufficient time prior to the general assembly meeting.

**Article (15)**  
**Administrative Penalties**

Upon breach of the provisions hereof, the Authority may impose any of the following penalties:

1. addressing a warning notice to the Company to remove causes of violation;
2. suspension of the Company's security listing;
3. delisting; or
4. a financial penalty that may not exceed the maximum limit hereunder.

**Article (16)**  
**Enforcement of the Resolution**

1. Companies and institutions whose securities are listed on a Market shall make all necessary changes to adopt the provisions of this Resolution no later than 30.04.2010.
2. This Resolution shall be published in the Official Gazette and shall go into effect on the next day to its date of publication. Companies and institutions whose securities are listed Market following the effective date of this Resolution shall abide hereby.

*Signed*  
**Sultan Bin Saeed Al Mansouri**  
**Minister of Economy**

issued in Abu Dhabi;  
Dated 29.10.2009.