Code of Corporate Governance for Public Joint Stock Companies

March 2015

Contents

Objective of this Code

This Code aims at defining a binding and optimal reference framework for the management, organization and control of public joint stock companies through a series of specific and well-defined policies, operations and procedures.

The provisions of this Code apply to all joint stock companies.

First Principle : Purpose of Governance

The aim of Governance is to have a set of regulations that direct and organise the work of corporates in order to have efficient corporates that contribute to building strong, transparent and competitive national economy. It also aims at limiting any negative impact on the national economy and local community from failure to comply with the best practices.

Measures :

(1) Governance is set of regulations that direct and organise the work of the corporate in that:

a- It describes and allocates rights and obligations of different parties on the level of the corporate such as the board of directors, executive management, employees, shareholders, stakeholders and others as applicable.

b- It sets necessary rules and procedures for taking corporate related decisions.

c- It sets objectives and the necessary strategies to achieve such objectives.

d- It sets the basis for follow-up of performance assessment and monitoring.

(2) Basic elements of Governance:

A- **Transparency:** The directors and executive management should be very careful in providing the information needed by the regulators, shareholders, investors and related parties at the right time and in the manner that enable them to take decisions and act properly.

B- **Accountability:** The directors shall be accountable for their decisions and acts to the shareholders and shall subject themselves to audit as per the best practices.

C- **Fairness:** Shareholders, employees and related parties shall be equally and fairly treated by directors and executive management without any hidden agenda or favouritism.

D- **Responsibility**: Directors shall perform their duties in honour, integrity and honesty towards economy and society in general and the company in particular and that they shall prioritize the interests of the company over any personal interest.

(3) The general framework of the company management should provide shareholders with suitable means that ensure their active participation at the general assembly meetings and receiving information that enable them to practice their rights, responding to their queries and enable them to take part in electing suitable board members.

Second Principle: Board of Directors, formation, role and responsibilities

On top of each company, there should be an effective board that leads the company and controls its affair. The Board is collectively responsible for the success of the company, achieving its long-terms objectives. The Board should work with the executive management to achieve the company objectives. In all events, the management is accountable before the board of directors.

<u>Measures :</u>

(1) The board members are individually and jointly responsible before shareholders for achieving the company aims and objectives>

(2) The non-executive board members and chairman are prohibited from interfering in the daily operations of the company.

(3) Without prejudice to the provisions of the Commercial Companies Law, as amended, and the rules of electing joint stock companies board members and the provisions related to their responsibilities, the company should comply with the following terms :

A- The majority of board members should be non-executive members.

B- Combining the post of board chairman and any other executive post at the company is prohibited.

C- The independent directors should be at least one third of the board members with a minimum of two members.

D- After being elected as a board member, the elected members should be dedicated training courses on corporate governance on the expense of the company.

(4) Upon invitation for board members election, the nomination and remuneration committee inputs should be taken into consideration to ensure that the elected members have the following skills and capabilities:

a- Strategic vision, ability to direct, encouragement of innovation and constant encouragement of the company to enhance its vision.

b- Necessary expertise in financial accounting and corporate finance.

c- Understanding the management trends in general and the scope of work of the concerned company in particular.
d- Ability to deal with short and long term crises.
e- Appropriate experience in relation to the company activities.
f- Business expertise in international markets if the company has business in international markets.

(5) Nominees to the board of directors must have the following professional competence and characteristics:
a- Integrity in their personal and professional dealings
b- Possession of high intelligence and wisdom to be applied in proper decision making.
c- Ability to read and understand financial statements.
d- Potential to contribute towards effective stewardship of the company.
e- Ability to approach others assertively, responsibly and cooperatively.

(6) In order to ensure the quality of the board members and achieve its objectives, the board of directors should carry out the following as a minimum:
A- Introduce accountability measures for members that ensure attendance of meetings, effective involvement and carrying out their roles. They should also show to them the means for following up their performances, the importance of abiding by the professional conduct expected from them and the consequences that may result from their failure to carry out their obligations.
B- Identify the suitable skills needed for a board member. The board may delegate this task to the Nomination and Remuneration Committee, shown in the articles of association and then raise the recommendations about the suitable names proposed for board membership to the general assembly. The shareholder should have full freedom to select these members.
C- To review the above annually.

(7) The board should approve a clear declared policy and guidelines towards providing board members with the information they may need when they request them outside the regular and routine meetings of the board.

The board should delegate the board secretariat with the task of following up the implementation of this policy and measures.

(8) The board should include in its annual report submitted to the general assembly information about the company's ability to continue doing the businesses specified in the general framework of the company management together with the supportive assumptions and reasons.

(9) The board of directors should ensure the efficiency of the internal control system in all the company department including the financial and operational manager related to it, the management of liabilities, risks and their efficiency. The Board should affirm this in its report to the shareholders while taking into consideration the responsibility of the board toward preparing the financial statements, which is not less important in all events than the responsibilities of the external auditors toward preparing these reports.

(10) The chairman , assisted by the company secretary , should ensure observing the following conditions while inviting for board meeting to ensure meeting their requirements:

a- The board shall convene 4 times at least every year.
b- The period between two consecutive meetings shall not exceed 4 consecutive months at maximum.
c- The agenda of the meeting shall be sent to all directors one week at least prior to the date of meeting.
d- In case of emergency meetings, the agenda of the meeting may be sent less than a week before the date of the meeting, as the case may be.

(11) In case of quarterly meeting dedicated to discuss the quarterly results, the company should abide by annex (1) of this Code as the minimum information that should be submitted to the board members. The board may exclude any of the aspects of this annex for considerations related to confidentiality of information or privacy or competitiveness according to measures decided by the baoad at the first meeting after its formation.

(12) Meetings of the board may be held through modern means of communication and with a maximum of two meetings during the year or accept the remote participation of member at its meetings. The board shall develop their own bylaws and controls for using modern communication means in its meeting and for the remote participation of members.

(13) Save as the decisions related to approving the financial statements of the company, the board may approve its decisions through circulation. However, it must be submitted for approval at the next meeting. The board may develop the mechanisms, terms and controls for circulating its decisions and managing them.

Third Principle: Functions and powers of the board of directors

The company's articles of association should clarify the functions and powers of the board of directors. These functions and powers should be made available for everyone to directly serve the aims and objectives of the company and maximize their contribution to the national economy and local community.

Measures:

(1) The board should carry out the following as a minimum:

A- Define the strategic vision of the company from its purpose, mission and objectives; develop the implementable performance indicators within a reasonable period that can be objectively measured and updating them regularly.

B- Approve the commercial and financial policies related to its performance, achieve its aims, and review them regularly to ensure their soundness.

C- Develop the necessary plans, review and update them on regular basis to implement the company's strategy.

D- Approve the bylaws and internal controls for managing the company's affairs.

E- Approve the disclosure policy of the company and follow up its implementation as per the requirements of the regulatory bodies.

F- Define the functions and powers of the executive management and approve the delegation policy to carry out its responsibilities.

G- Audit the performance of the executive management and ensure smooth operations to achieve the objectives of the company without prejudice to the laws and regulations in force.

H- Review the transactions of the related parties.

I- Constitute specialized committees that include naming the members, defining their tasks, rights and obligations.

J- Appoint the following executive positions: CEO, general manager, head of internal audit unit, compliance officer (if any) and define their rights and responsibilities.

K- Measure the performance of the board sub committees and the above mentioned executives at least annually.

L- Approve the quarterly and annual financial statements.

(2) The company (represented by the board chairman) should have an induction system to introduce new board members to the operations of the company especially the financial and legal aspects. They should be also trained on the same, if necessary.

(3) The board should approve a reasonable policy for the delegation of power for the executive management. It should cover the delegation of authority bylaw for the different financial and administrative positions, Human Resources and other jobs necessary to operate and manage the company efficiently.

(4) The board should, in consultation with the audit committee, adopt a transparent policy in the matter of relationship with the external auditors especially in the area of awarding of consultancy assignments. The guiding principle should be the perseverance of independence in its absolute sense as well as the vision of the pool of investors and their understanding of the meaning of independence.

(5) The board of directors should use the general assembly as a mean for effective interaction with shareholders especially small shareholders to ensure their physical participation and discussion by adopting appropriate modern meeting management methods and providing manuals on means of participation at the general assemblies and document the same in the minutes of the general assembly meeting.

(6) Without prejudice to material information disclosure rules set at the executive bylaw of the Capital Market Law and in particular Chapter 7, the board shall establish, maintain and enforce written supervisory policies, procedures and regulations related to fair disclosure of material information and enforce the same to ensure the following:

a- Ensure the fair and timely disclosure of material information about the company,

b- Ensure that the disclosed information about the company is honest, correct, direct and reasonably complete.

c- Ensure that the disclosed information does not intentionally or unintentionally mislead investors.
d- Prevent dealing in the shares of the company based on undeclared or undisclosed information, by those who are, by virtue of their position or relationship with the company, aware of such information.

Fourth Principle: Chairman of the Board of Directors

The chairman of the board of director assumes the key responsibility for leading the board and the company effectively to ensure that the board is carrying out its roles, responsibilities, functions and powers with relation to directing the company towards achieving the strategic vision and the purpose for which the company was established.

Measures

1- The chairman should have high leadership skills and should realize that the success of the board is closely linked to the ability of the chairman to maintain the integrity of the Board and the harmony of its members and their full cooperation to achieve the aims and objectives of the company.

2- The chairman should carry out the following as a minimum:

A- Enhancing high level of governance among the board and the company

B- Leading the board to ensure its efficiency in performing its duties, functions and authorities.

C- Inviting to and chairing board meeting and delegating the company secretariat with the task of sending invitations.

D- Develop the agenda of the board meeting in coordination with the company secretariat and ensure distribution of the same sufficient time before the date of the meeting.

E- Ensuring that the directors receive accurate and clear information on time.

F- Promoting constructive relationship among its directors and encouraging it.

G- Ensuring the efficiency of communications with shareholders.

H- Promoting constructive relationship between the board of directors and the executive management without prejudice to the provisions of this Code.

I- Developing induction program for the directors to introduce them to the operations of the company and its employees.

J- Encouraging directors to learn and constantly develop their skills.

K- Ensuring that members are active in the training and refresher courses about their functions, the governance compliance requirements and other statutory requirements whenever this is possible or suitable.

L- Facilitation of effective contribution of non-executive directors.

M- Ensuring the execution of the board resolution.

N- Measuring the performance of the board and its members in an independent and non-biased manner through a third party to be appointed by the annual general assembly as per reference framework to be developed by the board or the general assembly. The external or internal auditors shall be prohibited from carrying out this task.

Fifth Principle: The Company Secretary

The Board shall appoint a Secretary at the beginning of each term. The secretary must be experienced and qualified in order to be able to aid the Board to comply with the provisions of this Code and the applicable laws and regulations in the Sultanate, and any other controls issued by other concerned regulatory authorities.

Measures:

(1) The Secretary must have a legal background and practical experience in the field of business management or executive management for an appropriate period.

(2) The Company Secretary shall perform the following tasks as minimum:

a. Based on the orders and directives of the Chairman, the Secretary shall perform the procedures of a call for a meeting, and identify the topics that shall be included in the agenda.

b. Assist the Chairman of the Board in steering the meetings, and clarify the description of the Board's position regarding the topics on the agenda and summarize the decisions taken by the Board.

c. Record the Board of Directors' meetings minutes and document by date and a serial number. These meeting minutes shall explain all the topics and important details that were discussed, and the decisions that were taken, it shall also include the names of the attendees and names of those who voted in favor or against each of the taken decisions.

d. Send copies of the meeting minutes to members of the Board within two weeks from the date of the meeting, after the review of the Chairman of the Board.

e. Incorporate any amendments on the meeting minutes and send the final version of the same in a period of 30 days maximum from the date of the meeting.

f. Ensure that Members and Chairman of the Board adhere to the procedures of holding the Board's meetings and their discussions, their compliance with Company's policies, related regulations and legislations, and any other controls issued by other concerned regulatory authorities.

g. The maintenance of the Company's original documents, its reports and data, and the original copies of the signed meetings minutes and any other document the Board of Directors orders to be deposited in the Company's secretariat.

Sixth Principle: Executive Management

The Executive Management bears the burden of the implementation of separation between the Ownership and the Management, and, based on the set strategy and targeted plans, shall implement the general policy of the Company and implements the regulations, decisions and procedures adopted by the Board of Directors.

<u>Measures:</u>

(1) The Executive Management, shall provide adequate information about the Company's affairs to all members of the Board of Directors in general, and the non-executive directors in particular, for the purposes of the meetings of the Board of Directors and the study of topics on the meetings' agendas in order to enable them to perform their duties efficiently.

(2) The executive management shall:

a. Conduct the Company's daily business efficiently and faithfully in accordance with the policies and procedures adopted by the Board.

b. Work diligently to implement the Company's purposes and to achieve the Company's goals set forth in the Company's Statute.

c. Inform the Board of Directors of all risks and challenges in a timely manner according to the approved policies and procedures. In the case of the emergence of risks that are not addressed in any policies or procedures, the Executive Management should inform the Board of Directors whenever and however possible.

d. The executive management should extra attention to protecting the rights of the shareholders, developing the Company business, maximizing the Company's profits, maintaining the interests of stakeholders, the economy and society at large.

(3) The executive management is accountable to the Board of Directors and fully responsible for all its actions.

(4) Members of the executive management must be hired by the Company through contracts that illustrate their rights and duties.

(5) The executive management, under the guidance of the Board of Directors, shall improve the efficiency and skills of its members to gain the Board's and the Shareholders' trust.

(6) The executive management must exercise its responsibilities and powers according to an approved organizational structure. This structure shall determine the hierarchical structure and the responsibilities of the Executive Management and their powers.

(7) The executive management should disclose to the Board of Directors all financial and commercial transactions, which the members of the executive management or any of their first-degree relatives have personal interests before entering into such transactions.

Seventh Principle: Professional Conduct of Members of the Board of Directors and the Executive Management.

The Board of Directors and the Executive Management should achieve high levels of professional conduct in the performance of their duties and high levels of commitment to professional ethics.

Measures:

(1) The Board of Directors should formulate an internal Code of Conduct that illustrates the ethics to be adopted and followed by members of the board and the executive management, similar to those explained in Annex No. (2) of this Code. The board should approve this internal Code of Conduct, disseminate it and ensure it is read by members of the board, executive management and the employees.

(2) Members of the board of directors should adopt and abide by the professional conduct standards set forth in the Code of Conduct approved by the board of directors.

(3) The board should follow up on the adherence of the executive management to the Internal Code of Professional Conduct.

(4) There must be a cross reference to the Code of Professional Conduct when the Company's policies are formulated regarding complaints, suggestions and grievances, and to clarify specific procedures to put these policies into practice.

Eighth Principle: Independent Director

The board is comprised from individuals who have the ability and independence to look into the affairs of the company wisely, objectively and fairly to ensure full independence from the management and main shareholders. Individual or small group of individuals shall not be allowed to have control over the decision making process in the Board.

Measures

1- The independent member is the member of the board who is fully independent and who have knowledge or experience in the company businesses that enable him to support the decision-making inside the board and the management and serves its prospective aims and objectives.

2- The independent member should be:

A- Known for his integrity and good conduct.

B- Should not have any financial or economic or monetary relation with the company or any of its parent company, its subsidiaries or affiliated companies subject to not contradicting what is mentioned bellow.

3- The member shall not deemed to be independent director in the following cases:

A- If he holds ten percent or more of the company's shares or the shares of the parent company, subsidiaries or affiliated companies.

B- If representing a juristic person who holds ten percent or more of the company's shares or the shares of the parent company, subsidiaries or affiliated companies.

C- If he is or was a senior executive, during the past two years, of the company, parent company, subsidiaries or affiliated companies.

D- If he is a first-degree relative of any of the directors of the company, parent company, subsidiaries or affiliated companies.

E- If he is a first-degree relative of any of the senior executives of the company, parent company, subsidiaries or affiliated companies.

F- If he is a director of the parent company or subsidiary or fellow company of the company to which he stands as candidate for its board.

G- If he is or was an employee, during the past two years, of any of the associated parties of the company or parent company or subsidiary or affiliated company including chartered accountants and major suppliers or NGOs which received 25% of its annual budget from the company.

H- If he is or was an employee, during the past two years at the parent company, subsidiaries or affiliated companies.

I- If he holds about 20% of the shares of any of the above-mentioned parties during the past two years before nomination.

4. The independent director should notify the council upon any change in the circumstances, which contradict with being an independent.

9th Principle: Rules of Related Party Transactions.

The Company shall follow utmost transparency and clarity with respect to Related Party Transactions, these transactions are subject to the revision of the Audit committee and must be approved by the Board or the General Assembly (dependent on circumstances) before proceeding with implementation.

Measures:

1. This Principle aims to reduce the risk of the impact of Related Parties on the integrity of transactions in the Company and its financial position. This principle is concerned with the disclosure about relations and transactions and commitments to any person or entity associated with the Company.
2. A person is deemed "Related Party" if that person:
   a. Is a Member/has been a Member of the Board of Directors during the last twelve months in the Company, the Parent Company, a Subsidiary or a Sister Company.
   b. Has a significant impact on the Company and its performance.
   c. Is one of the personnel in the main management in the Company or the Parent Company including the CEO, the GM or any other employee that reports directly to the Board of Directors.
   d. Owns or controls 10% or more of the voting power in the Company, the Parent Company, a Subsidiary or a Sister Company.
3. An entity is deemed "Related Party" if that entity:
   a. Is a Member of the same commercial group of the Company, i.e., a Parent Entity, a Subsidiary Entity, or a Sister Entity.
   b. A Joint Venture of the Company or associated entities.
   c. Any of the persons outlined in (2) above who has, collectively or individually, at least 25% of the voting power or the right to guide its decisions or control it.
   d. Businesses where Members of their Boards of Directors act in accordance with the will of the Company.
   e. Represents a fund or a project for terminal benefits for the Company's employees or associated entities.
4. The following parties are not considered "Related Parties":
   a. Financing providers to the Company.
   b. Trade and Labour Unions.
   c. Public Utilities.

5. Related Party Transactions are defined as the transfer of resources, services, obligations or commitments between the Company and a Related Party regardless whether this transaction was done in expectance of a return or not.

6. When considering a Related Party Transaction, the essence of the relation and its impact on the integrity of the Company's decisions and transactions must be examined. Examination should not be confined to the legal aspect only.

7. All Related Party Transactions must be reviewed by the Audit Committee before proceeding with implementation.

8. In the case of transactions that the company is part of during its normal course of business with related parties, board approval is required prior to execution.

9. In the case of unusual transactions or that do not fall in the ordinary course of activity of the Company or both with Related Parties, these transactions must gain the approval of the General Assembly before proceeding with its execution.

10. In case of a request of prior approval of the General Assembly, the agenda of the General Assembly must contain the following:

   a. The details of these transactions as set out below:

      i. Name of beneficiary Related Party.

      ii. Nature of the transaction and its conditions and justifications.

      iii. Value of the transaction.

      iv. Duration of the transaction.

      v. Any other related data to the transaction.

      vi. An independent assessment must be done in the case of purchase or disposition of assets.

   b. Clarification of the opinion of the Audit Committee and the Board of Directors regarding the transaction, and pledge to take the responsibility regarding execution of the Related Party Transaction according to the agreement.

11. Approval must be granted for each individual case, i.e. according to the transaction and according to the Related Party.

12. The approval must be explicit for each individual case and not implied, and it must include the details of the transaction.

13. The Related Party shall not take part in the voting process regarding this transaction.

14. All transactions with concerned parties must be disclosed and the classification of amounts due for repayment to these parties and receivable amounts from them.

15. The Chairman of the Board of Directors is to ensure sending the details of all these transactions to each shareholder in addition to the call to the annual meeting of the General Assembly, that includes the details of the agreement and the description of the position of each of the Members of the Board of Directors – barring the Related Party – which confirms that the agreement was just and reasonable as required by the interests of the shareholders in the Company.

16. The annual report of the Company must include a full disclosure of all the details of Related Party Transactions.

17. The Company's Auditors, in the following year, must ensure that the Related Party has implemented all obligations of this transaction and any other transaction this party was a part of.

18. International Financial Reporting Standards and other related laws must be referred to in order to prepare financial reports, to cross-reference these transactions and to disclose their details.

19. Any transaction that was implemented in violation of these measures is null and void, and cannot be claimed against of the Company and its Shareholders, and the Related Party shall bear the consequences of the damages caused by this transaction.

10th Principle: Audit and Internal Control Committee

The board is responsible for the soundness of the company transactions, operations and managing their risks. Therefore, through the subcommittees, it should ensure that the executive management has sound internal controls and system for risk management to maintain the interests of shareholders and assets of the company.

Measures :

1- The board of directors should form an audit committee and draft a written and declared reference framework, which clarify the names of the members, the powers, functions, duties and any other provisions related to its work or tasks.

2- While forming the Committee , the Board should comply with th following principle

A- The committee shall comprise of three non-executive members as a minimum, most of which will be from independent auditors.

B- At least one members should have financial and accounting experience.

C- In all events, the chairman of the committee should be selected from among the independent auditors.

3- The audit committee should assist the Board in the following matters

A- Ensuring efficiency of the executive management in general in implementing the operational controls and guidelines specified by the Board.

B- Assessing and following up the soundness and efficiency of the internal control system

C- Develop policies that maintain the company physical, human and intellectual assets.

4- The meetings of the committee shall be deemed legal if attended by the majority of the independent members.

5- The audit committee shall select a chairman at its first meeting. The Board may name the chairman of the committee at the decision forming the committee. Combining between chairmanships of two sub committees of the board is prohibited. Combining between the chairmanship of the Committee and the Board is also prohibited.

6- The chairman of the audit committee may not be a member of any other committee.

7- The audit committee should submit to the board an annual plan of its expected businesses.

8- The internal audit committee should carry out the following as a minimum

A- Studying the internal auditing system and reporting in writing on its comment and recommendations.
B- Studying the internal auditing reports and following up on the execution of the remedy actions in response to the comments included in the reports.
C- Escalating recommendations to the board of directors for the appointment of charted accountants, their termination, and remuneration, provided that the independence of such charted accountants is verified.
D- Following up on the work of the charted accountants and approving any other work other than the scope of auditing work assigned to them during their auditing work.
E- Considering the auditing plan with the charted accountants and commenting on the same.
F- Considering the comments of the charted accountant on the financial statements and following up on any actions taken in their regard.
G- Studying the quarter and annual financial statements before presenting the same to the board of directors and commenting on the same.
H- Considering the applicable accounting policies, commenting and recommending on the same to the board of directors.
I- Ensuring the adequacy and sufficiency of internal auditing systems of the company either by approving regular reports by internal controllers (internal auditors) and external auditor or seeking specialized consultations.
J- Supervising the elements related to the development of financial statements including
1- The revision of quarterly and annual financial statements before their issuance
2- Revising the reservations of the comptroller on the draft financial statements, if any,

3- Discussing and considering the accounting principles in general with concentration on any deviations taking place in accounting principles and policies and the effect of the same on the company's financial positions.
4- Ensuring compliance with the reporting requirements as issued by the Capital Market Authority.
k- Liaison between the board of directors and each of the external auditor and the internal auditor of the internal auditor.
l- Reviewing the proposed transactions and dealings with related parties and recommending on the same to the board of directors.
m- Developing a plan for risk management, approving the same from the board and following up their implementation. The plan should include the following as a minimum
1- The major risks, which may face the company and the probability for their happening.
2- The mechanisms to review these risks and following up their performance.
3- The mechanisms for regular detection of these risks (especially new ones) and reporting them.
4- Means to alleviate the effects of these risks, if it not possible to avoid them.
n- Developing and revising the company risk management policies regularly taking into consideration the businesses of the company, the changes at the market, and the investment and expansion trends of the company.
o- Developing an executive program for company risk management, train and guide the board and the executive management on the same.
p- Provide analytical or periodic report, as per the board instruction, about the risks and their management in the company.
q- The committee may seek that assistance of any other agency to get the advice that enable it to carry out its missions.
r- The committee shall raise the recommendations to the board at the time specified by the board.
s- Developing and reviewing risk management related policies and working on the development of special risk management program.

9- While carrying out its functions and besides the functions and powers specified in the decision forming it, the audit committee may

a- Request the attendance of the finance manager , head of the internal audit to attend the meetings of the committee
b- Request information from any employee of the company.
c- Seek the assistance from experienced and skilled individuals to provide guidance and advice

10- The Committee should listen to the views of the external auditors before raising the accounts to the board for deciding about them.

11- The audit committee shall meet with external auditors, internal auditors independently at least once every year to listen to their views and consult them about enhancing the level of governance and compliance inside the company.

11^{1th} Principle: Nomination and Remuneration Committee

The company should adopt a transparent approach while preparing the policies for nominating efficient and highly skilled board members. It should create incentive and remuneration policy that make it easy to attract efficient board members and executive management and encourage them with fees and remunerations of executives.

Measures:

1- The board members should establish a committee for nomination and remuneration draft a written and know reference framework that show the names of the members, their functions, powers, duties and any other provisions related to their work or missions.

2- While observing the administrative decision 11/2005 regarding the guidelines for the annual bonuses and the sitting fees for the board members and sub committees of the joint stock companies. The Committee should do its best to assist the company in developing clear and credible policies about the bonuses of the board members, the executives and make them available for all shareholders. It may seek additional performance linked criteria in deciding the bonus of the CEO, executive board members and senior executives.

3- Upon the formation of the nomination and remuneration committee , the board members should take the following into consideration
   a- The committee should have at least three non-executive members.
   b- The committee should meet at least twice a year.

4- The nomination and remuneration committee should select its chairman at its first meeting. The board of directors may name the head of the committee at the decision forming the committee. Combining between chairmanship of any two sub committees is prohibited.

5- The nomination and remuneration committee should submit to the board of directors its annual plan and expected program for action.

6- Powers of the Nomination and Remuneration Committee a- Constant revision of the formation, diversification and number of its directors and recommendations on the same to the board of directors.

b- Constant revision and assessment of the skills, expertise, qualifications and performance of the directors of the board of directors.

c- Presenting a succession plan for the executive management.

d- Developing a description of the role and responsibilities of the directors including the chairman so that it will be easy to advise members of their roles and responsibilities and measuring their performance.

e- Finding and nomination of qualified individuals to act as independent directors on the board of directors.

f- Finding and nomination of individuals qualified to act as provisional directors on the board of director once a vacancy arises.

g- Finding and nominating qualified individuals for the executive posts and nominating them upon request or instructions from the board.

h- Developing and considering remuneration and allowance policies for the executive management.

i- Regularly revising these policies taking into consideration the conditions of the market and the performance of the company.

j- The company may seek the assistance of any other agency to get any advice to carry out its missions.

12th Principle: The Company External Auditors

The board of director is responsible for the soundness of the company's financial statement presented to the shareholders through the external auditor appointed by the general assembly to ensure that the annual financial statements presented to shareholder are free from material errors.

<u>Measures:</u>

1- The annual ordinary general meeting shall appoint company auditors from among the registered audit firms with CMA , pursuant to recommendation by the board of directors which is based on the recommendation of the audit committee as per the guidelines developed by the company in this regard, provided that the following matters are observed:

2- The auditor shall be appointed for one financial year. The same firm shall not be appointed as external auditors for more than three consecutive financial years. After completion of fourth consecutive term, the firm will be eligible for reappointment as external auditors only after the elapse of 2 years.

3- The auditor to be appointed by the general meeting to audit company's account shall not be allowed to provide non-audit services, which might affect their independence.

4- The external auditors, as part of their audit procedure, shall report to the shareholders any significant concern(s) that come to their attention on:

   a- Adequacy and efficacy of the internal control systems in place.
   b- Reporting on the company's capability to proceed on its business, which shall be made independently from that of the board of directors.
   c- The compliance of the company to develop internal laws and regulations of different types and their adequacy to the position of the company and its compliance with their execution.

5- Frauds detected or suspected by the external auditors shall be reported to the Board of the Company. However if the fraud is material, he shall report the fraud to respective regulators of the Company without a need to take the permission of the company or its board of directors.

13th Principle: Corporate Social Responsibility (CSR).

CSR is associated mainly with the Company's purposes and activities, and through CSR, the Company aims to exercise its role as a good citizen, and to reduce any negative impact of its activities on the national economy or the surrounding community or the environment in general.

Measures:

(1) The Company (represented by the Board of Directors) must formulate a special code to deal with the requirements of Corporate Social Responsibility (CSR). The Board has the ability to designate to the Executive Management or an external councilor to submit a proposal for the policy, which the Company must follow, to be approved by the Board.

(2) The Executive Management in the Company must put forth a strategy or an annual plan through which it can implement the CSR philosophy, policy and principles towards the community; this strategy or annual plan must at least outline the following articles:

a. The allocated budget.

b. Available means of support and participation.

c. The values and principles that the company aims to broadcast through its own various CSR activities or those CSR activities that the Company supports.

d. Demographics that the Company's targeting.

(3) The Company shall include in its annual report, a special report about its CSR activities, this report must explain these activities and the amounts spent on them, and their impact and sustainability.

14th Principle: Annual reports

The company annual reports should indicate how the board of directors are and the executive management practices are consistent with the good governance principles, standards and best practices

Measures:

1- The annual report shall contain a brief of the management discussion and analysis on the following matters,
   a- The method used by the company in achieving its business and proposals for development.
   b- Investment opportunities and difficulties.
   c- Analysis of the company products.
   d- Detailed explanation of the company work.
   e- Risks, confronting the company.
   f- Internal auditing system and its adequacy.
   g- Discussion on the operational and financial performance of the company.

2- Annual and quarterly financial statements, price sensitive public reports and the reports to the regulators prepared by the board should contain balanced and understandable assessment of the corporate accounts.

3- The annual company reports must include a separate chapter on the corporate governance of the company clarifying how far the company is compliant with the requirements of this Code. The chapter should include at least the items and requirements shown in annex (3)

4- The report of the auditors must contain confirmation that the afore-mentioned article is void of any material default in presentation.

Annexes

Annex (1): Minimum information to be provided to the Board of Directors

1. The estimated budget for the Capital and operations in addition to any other developments.
2. The Company's quarterly results.
3. Minutes of the meetings of the specialized committees that stem from the Board.
4. Information regarding hiring main management personnel, their resignation, dismissal and bonuses.
5. Important notifications pertaining to penalties and their reasons and justifications.
6. Serious accidents, incidents, and problems related to pollution.
7. Any serious breach of the Company's financial obligations to third parties, or failing to collect its due receivables.
8. Matters related to potential public liability claims or claims related to the Company's products.
9. Joint Ventures agreements which the Company enters.
10. Agreements that include the payment of large sums of money with regard to intellectual property and fame and trademark rights.
11. Any problems arising from relations regarding the Company's business including any new agreement for wages.
12. Sale of inv3estments and assets that do not fall in the ordinary course of the Company's activities.
13. Statement of compliance or not to the requirements of regulatory authorities.
14. Any details pertaining to the company's exposure to the risk of fluctuation of foreign currency exchange rates and the measures taken to reduce these risks.

Annex 2: Board of Directors Professional Criteria

1. **Professionalism**
   - a- The board of directors shall be responsible of confirming his acquisition of sufficient knowledge to perform his responsibilities as a member of the board of directors. He must be well acquainted with developments through constant learning and work on enhancing his competence as a member of the board.
   - b- The board of directors shall be responsible of understanding the functions of the company, which he serves and he shall be fully aware of the affairs, activity and operations of the company, and take necessary steps to achieve the same.
   - c- The director must ensure the company's compliance with the Code of corporate governance.

2. **Due diligence**
   - a- The director must act in due diligence in preforming his functions as a director of the board of directors.
   - b- The director must assist the board of directors to enhance the management of the company to protect and support the interests of shareholders.
   - c- The board director must strive to attend all meetings of the company and engage in discussions. Should it be difficult for him to attend any meeting, he must take the necessary steps to get a leave of absence of the meeting.

3. **Integrity**
   - a- The board director must act in an integral and good faith at all times to maintain the optimal interest of the company.
   - b- The director must maintain independency and act independently in respect to all his judgments at all times, and take reasonable steps to be convinced of the integrity of the board of directors' resolutions.
   - c- The director must at all times avoid cases that would subject his independency to compromise.
   - d- The director so appointed based on a nomination of major shareholder should act generally on the best interest of the

company and shareholders and not for the interest of the person who nominated him only. In cases, when the obligations towards individuals or other entities prevent him from taking an independent position in respect to a certain matter, the director must disclose his position refraining from participation in the board's discussions on this matter.

4. <u>Conflict of Interest</u>

a- The director must act in transparent very all the time and avoid placing himself in a conflict of interest situation. The director must disclose his direct or indirect contracting interests with the company.

b- The director must not get inappropriate benefit from his position and he should particularly maintain the confidentiality of all information, which he receives in his capacity as a director on the board and refrain from using such information improperly.

c- The director must ensure that the information not available to the public or which would have material effect on the price or value of the companies securities is not submitted to any person, who might have an influence on subscription or the sale and purchase of shares.

d- The director must not maintain improper benefit of his position to achieve direct or indirect gains or personal benefits for himself or any other related person.

e- The personal interests of the director or related parties must not be allowed to overcome the interests of shareholders in general

f- Full disclosure must be made to the board of directors in respect to any actual or potential conflict of interest. When dealing with this matter, consideration must be given to the significance of the potential conflict of interest and the potential results if improper processing of the matter is made.

g- In case of conflict of interest, the director must refrain from engaging in and/ or voting on the matter .It is better for him to leave the meeting during discussing the issue at which there is a conflict of interests.

h- In case the director received documents related to a matter with possible conflict of interests, he should return these documents to the chairman or the secretary of the company. He should indicate the there is a possible conflict of interests.

i- In all cases , it should be taken into consideration whether the experience that will be provided by director is necessary to take a decision by the board and whether it is possible to get it or benefit from it in a way that limit the effect of conflict of interests.

j- In case of material conflict of interests, the director may consider resigning from the board.

k- The director must not abuse the information, which he obtains in his capacity as director. This prohibition applies regardless whether the director shall get direct or indirect interest or a related person, or that this would cause damage to the company.

l- The director must adhere, observe all regulations and rules in respect to the sale, purchase of the company shares, and comply with the standards specified by the board of directors on the trading of shares. The director must not deal on his company's shares in accordance with short term considerations.

5. <u>Compliance with rules and regulations</u>

a- The director must obtain knowledge on the regulatory and legal context within which the company operates.

b- The director must take the necessary actions, which ensure his and his company's compliance with laws and regulations governing its operations.

c- If necessary, the director must get legal, financial or other professional consultation in respect to company affairs or his entrusted obligations.

d- If the directors has concerns about conflict of interest or the objectively of the advice he received, he may get the same from independent consultants other than those providing consultations to the company.

6. <u>Access to information</u>

a- The director must insist on getting timely and accumulative information on time in respect to all major updates of his company.

b- The director should use this information for the interest of the company to be an effective director aware of the developments of the company and to be in the leading in decision making while serving at the board. He should also forecast any aspects or consequences to the developments of the company.

c- The director must insist on having sufficient and complete information on time and that information be available to directors an ample time in advance to be able to consider all matters. If necessary, he may refrain from voting on a certain matter for the lack of sufficient time to consider it thoroughly. He may request that his abstention form participation and its reasons be recorded on the minutes of meeting. It may be proper to vote against the resolution or postpone it until suitable information is available.

Annex (3): Items to be covered in the Principles of organization and management of the Company report.

1. The Company's philosophy with respect to the principles of the management of the Company and a detailed report on how to implement these principles.

2. The Board of Directors:

2-1 Composition and classification of members of the board of directors, e.g. an executive director and a non-executive director and an independent director and a director assigned by the financing organization or an investor in the Company's stocks.

2-2 Attendance of every member of the board of directors to the board's meetings as well as to the last meeting of the General Assembly.

2-3 The number of other boards, or committees of the board that the Board of Directors is a member or a president of.

2-4 Number of board meetings held and their dates.

3. Committees that stem from the Board:

3-1 A brief description of the terms of reference of the committee and the duties entrusted to it.

3-2 Composition of the Committee and names of the Members and the President.

3-3 Committee meetings and attendance during the year.

4. The nomination procedures of the members of the Board of Directors.

5. Bonuses:

5-1 Details of bonuses, fees and privileges paid to all members of the Board of Directors individually.

5-2 Total bonuses paid to main management personnel (the largest five employees) including salary, benefits, bonuses, raises, stock options and end of service benefits and pensions.

5-3 Details of fixed remuneration and incentives related to performance details in addition to performance standards.

5-4 Work contracts and notification period and end of service benefits.

6. Details of non-compliance by the Company:

7. Sanctions and Restrictions imposed on the Company by Muscat Securities Market or the General Capital Market Authority or any other regulatory body during the last three years.

8. The channels through which the Shareholders and Investors and contacted:

8-1 Ensure sending quarterly results to each shareholder and applicable procedures to do so.

8-2 Publication of these results on the internet, if any.

8-3 The internet if the Company's website issues official press releases.

8-4 Presentations that have been undertaken to institutional investors or analysts.

8-5 The annual report if the management's discussions and analyses are part of it.

9. Market Price date:

9-1 Highest price/lowest price during every month of the last financial year.

9-2 Performance in comparison with stock market index (in the concerned sector).

9-3 Stock ownership distribution

9-4 Securities convertible into shares and the date of transfer and its potential income on the equity of the Company.

10. Issues related to non-compliance with provisions of corporate Governance Code and reasons of non-compliance.

11. Explanations about the auditor and his professional performance.

12. Any other important items.

Glossary of Terms:

A. The General Framework for the Management of the Company: means all or any of the following: the Company's Statute, The Company's management agreements, systems, internal regulations and other administrative decisions.

B. Governance: means the procedures and processes that guide and control the Company's businesses, as stated in part II.

C. Executive Director: is a member of the Board of Directors who holds a position in the company, or the one that receives a monthly or an annual salary from the Company.

D. An Independent Director: is a member of the board of directors that has absolute independence, and has complete experience and knowledge to support the decision-making process by the Board and the Company's management in order to serve the Company's purposes and goals.

E. Non-executive Director: is a member of the board of directors who cannot work full-time to manage the company (i.e. not an employee of the Company) or does not receive a monthly of an annual salary from the Company.

F. First-Degree Kinship: includes the father, the mother, sons, daughters or the spouse.

G. Specialized Committees: means the specialized committees that stem from the Board of Directors, according to what is stated in part VI of this Code.

H. An executive position: any person who reports directly to the Board of Directors of the CEO.

I. Parent Company: the entitythat owns 50% from the Company's capital.

J. Subsidiary: the entitythat the Company owns 51% from its capital.

K. Sister Company: the entitythat the company owns 20% from its capital.

L. Main Management Personnel: are the individuals that have the power, authorities and responsibilities in the fields of planning, directing and controlling the Company's activities directly and indirectly.