

Translation of the  
**CORPORATE GOVERNANCE CODE  
FOR COMPANIES LISTED IN MARKETS  
REGULATED BY  
THE QATAR FINANCIAL MARKETS  
AUTHORITY**

Issued by the Board of Directors of the Authority in its first Meeting for the  
year 2009

on January 27, 2009

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## **SECTION 1: PREAMBLE, DEFINITIONS, AND SCOPE**

This Corporate Governance Code has been developed for Joint Stock Companies listed on any stock market that is subject to the regulation of the Qatar Financial Markets Authority (the CG Code, or this Code). This Code comprises principles and practices to improve the quality of governance especially at the Board level. This is a pre- requisite for improving the performance of any company.

The CG Code has been drafted taking into account International best practices for Corporate Governance, including but not limited to those developed by the Organization for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), the International Corporate Governance Network (ICGN) and the International Institute of Finance (IIF), and adapting those provisions to the local conditions of the state of Qatar and Qatar’s existing Commercial Companies Law and Stock Market Regulations.

The OECD defines Corporate Governance as “the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.”<sup>1</sup>

Both the OECD principles and the other codes broadly deal with five elements of corporate governance: (1) minority shareholders protection; (2) responsibilities of the Board of Directors; (3) accounting and auditing; (4) transparency of ownership and control; and (5) the regulatory environment. The emphasis in the revised 2004 OECD Principles of Corporate Governance, is on corporate governance as an essential component of management of risk that may be faced by stakeholders especially shareholders (risk of shirking, laxity and extraction of personal benefits).

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<sup>1</sup> The OECD Principales of Corporate Governance developed in 1998

When a Shareholder buys a company's shares, he expects to get compensated for the cost he incurs, in the form of reasonably high dividends, and or capital gains through selling his shares at a good premium (sell them at a price much higher than the buying price). But the levels of dividends and capital gains depend on the performance of the company and to what extent it has been, and will be successfully and honestly managed. That depends to a very large extent on the behavior of those to whom the Shareholders entrust the management of the company on their behalf; the members of the Board of Directors.

Shareholders delegate to the Board of Directors the power to manage the company on their behalf because it is practically impossible to manage the company by holding meetings involving all the shareholders. The Board members on their part delegate taking day-to-day decisions to Executive Managers.

This delegation of powers generates asymmetries of company control, information and opportunities. Executive Managers have more control over the management of the company than the Board members and Shareholders and they have, as well, more information about the plans and operations of the company than the board members and Shareholders. And Board members have more control and information about the plans and operations of the company than ordinary Shareholders. The possession of more control and more information generates opportunities for using such control and information for obtaining personal benefits at the expense of Shareholders. And so such asymmetries expose the Shareholders to high risks of shirking and lax performance by Board members and Executive Managers; as well as using information and power for personal benefits at the expense of Shareholders.

Executive Managers are supposed to prepare and propose plans for running the company to the Board of Directors for review and scrutiny, and implement what the Board approves. And the Board is supposed to monitor closely the implementation of such plans and hold Executive Managers accountable for performance results. But if the Board puts the wrong people in executive management positions or shirks and fails to scrutinize plans properly or monitor performance effectively, Executive Managers may prepare bad plans or betray their responsibilities, by failing to work actively or effectively and efficiently to produce good results.

Therefore, in order to manage the said risks, shareholders should select the right people to the Board of Directors and monitor their performance closely and hold them accountable. And the Board of Directors on its part should select and appoint the right people in the top executive management positions and monitor their performance closely and hold them accountable.

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

- Those in control might employ their non-deserving relatives and friends in well paying positions in the company;
- Executive Managers and Board members might overpay themselves in the form of high salaries, high directors fees, allowances, bonuses and other benefits;
- Executive Managers, Board members and large Shareholders, might enter, directly or indirectly, into commercial transactions with the company at terms less favorable than the market terms with respect to prices, or quality or terms of payment etc;
- Those who have information, that has not been disclosed to the public, about the plans and operations of the company, might use such information to buy or sell the company shares and make gains or avoid losses at the expense of other Shareholders;
- Some elements of executive management, Board members and large Shareholders might collude to exchange benefits and ensure mutual protection at the expense of the rest of Shareholders;
- Those in control might conceal information or give misleading information so as to cover-up shirking or personal benefits;
- The external auditors, who are supposed to review and verify the information provided by management with respect to correctness and adequacy, might fail to do their job properly if they have non-audit interests in the company, or if they want to cover up mistakes they made in the past or they are biased because of a strong commercial, social or professional relationship with the company or management.

The main objective of this Code is to make investors aware of such risks, remind them constantly of them, and propose

measures as to how the above risks can be managed. The Authority would expect full awareness of the above risks to enable the shareholders to apply the measures proposed in this Code more efficiently as well as other measures that they may develop.

The present CG Code addresses existing corporate governance deficiencies and in particular provides a comprehensive corporate governance framework for the companies subject to the authority of the QFMA. This code covers the composition and structure of the Board of Directors, the duties and responsibilities of the Board, its Chairman and the Board Secretary. The Code contains provisions to protect the rights of shareholders and in particular minority shareholders, as well as the stakeholders. It also covers various Committees constituted by the Board of Directors noting that delegation of duties to the said committees does not absolve the Board members of their responsibilities. These provisions emphasize strengthening the internal controls within the company. They also include measures for enforcing the requirements of this Code. The CG Code addresses a number of specific issues:

- Applying the “One-share, One-vote” principle universally among shareholders, irrespective of the number of shares they own;
- Requiring shareholders approval of capital changes, i.e. takeovers, mergers, buyouts, and capital increases;
- Defining “independent” and “non-executive” Board members;
- Requiring independent and non-executive Board members to be elected to the board;
- Assigning to the audit committee the responsibility to monitor risk factors
- Improving financial disclosure and transparency requirements and proposing the adoption of International Financial Reporting Standards (IFRS); and
- Requiring development of a ‘Related Party Policy’ to regulate transactions between the company and related parties such as Board members, large shareholders and executive management so as to address conflict of interests.

*Article 1- Definitions*

Access to Information Procedures	The Procedures to be adopted by each company allowing shareholders to obtain information as prescribed under this Code.
Accessible Company Information	Documents and information of the Company, that should be made available to shareholders or such information and documents that may be obtained by shareholders. The said information should include at least documents required by law or by this Code to be made available to shareholders. The Company shall take into consideration when determining whether information should be made available or accessible, the resources of the Company that would have to be devoted to allowing access to such information and the potential damage to the Company and shareholders of releasing proprietary and confidential information.
Affiliated Company	With respect to a company, a company belonging to the same group of companies.
Group Companies	Company and Companies controlled by the Company as per the definition of “control” set out by the International Financial Reporting Standards.
Authority	The Qatar Financial Markets Authority (QFMA) established by Law No 33/2005.
Board Charter	A charter detailing the Board’s functions and responsibilities as well as Board Members’ duties
Board or Board of Directors	The Board of Directors of any Company.
Board Secretary	The person appointed by the Board in compliance with this Code and in charge of organizing and coordinating Board and other corporate matters.
Chairman	The Chairman of the Company’s Board of Directors.
Company	Any joint stock company listed on the market in Qatar and in general any public company that is subject to the jurisdiction or authority of the Authority.

Corporate Governance Code	This Code as may be amended by the Authority from time to time.
Corporate Governance Report	The Corporate Governance Report is an annual report of the Company's corporate governance practices signed by the Chairman of the Board of Directors and submitted to the Authority as set out in this Code.
Cumulative Voting	The voting process for election of Board Members described as follows: For the election of Board Members, every shareholder shall hold a total number of votes equal to the shareholder's total number of voting shares multiplied by the number of seats to be filled on the Board. The shareholder shall have the right to allocate the said total number of votes to a single Board candidate or distribute his/her votes amongst such number of candidates as decided by the said shareholder.
Executive Board Member	A Board Member who performs executive management duties for the Company and/or is full-time employee of the Company
External Auditor	An audit professional who performs an audit of the financial statements of a Company, and who is independent of the Company being audited
General Assembly	The general meeting of the Company's shareholders.
Independent Board Member	<p>The Independent Board Member is the Member who is not under the influence of any factor that may limit his/her capacity to consider, discuss and decide on the Company's matters in an unbiased and objective manner (on the basis of facts only).</p> <p>By way of illustration and without prejudice to generality, a Board Member shall be considered non-independent in any of the following situations :</p> <p>1- If he or she is currently, or has been during the last three years:</p> <p>a- An employee of the Company; and this includes senior executive management; or</p>

	<p>b- An employee or Board Member or owner or partner or a large shareholder of a consultant to the Company (and the consultant shall include the external auditor of the Company);or</p> <p>c- An employee of a legal entity where a senior executive manager of the company or anyone of his relatives or any other person who is under the control of either of them; is a member of the board of directors, or a senior executive manager, or a large shareholder of that legal entity.</p> <p>And for the purposes of this Code a person is considered to be a large shareholder if he holds 10% or more of the voting shares of a company.</p> <p>2- If he is a relative of a senior executive manager of the Company.</p> <p>3- If he or anyone of his relatives, has currently or within the last three years, direct or indirect substantial commercial or financial transactions with the Company.</p> <p>4- If he is currently receiving or has received during the last three years a substantial compensation from the Company other than the compensation that he receives as a Board Member (The term “substantial” is defined as set forth in this Code).</p> <p>5- If he has been a Member of the Company’s Board for more than nine consecutive years.</p>
Senior Executive Management	Senior Executive Management as used in this Code shall mean the Chief Executive Manager and the other Executive Managers reporting directly to him.
Internal Control	Internal audit, budget and other procedures referred to in section IV of this Code.
Major Transaction	Any transaction or series of linked or related transactions to acquire, sell, lease, exchange,

	<p>or otherwise dispose of (otherwise than by way of creating a charge) assets of the Company or assets to be acquired by the Company or:</p> <p>(a) Which would change the essential nature of the business of the Company; or</p> <p>(b) In respect of which the gross value is in excess of 10% of the lesser of either the Company's market value (in case of a listed company) or the net value of the Company's assets.</p>
Market:	Any securities market subject to the regulation of the Authority including the Doha Security Market and the Qatar Securities Market Company.
Non-Executive Board Member	A Board Member who is not in charge of executive management duties in the Company and is not dedicated to the Company full time and who does not receive monthly or yearly remuneration from the Company other than the remuneration he receives as a Board Member.
Parent Company	A company that controls another company and/or owns more than 50% of the voting shares of another company.
Related Party	<p>A person is considered to be a Related Party to the Company if he:-</p> <p>(a) Is a Member of the Board of Directors of the Company or an Affiliated Company.</p> <p>(b) Is a Member of the Senior Executive Management of the Company.</p> <p>(c) Owns or controls 10% or more of the voting shares in the Company or any of its Affiliated Companies.</p> <p>(d) Is a relative of any of the natural persons mentioned in paragraphs (a), (b) and (c) above.</p> <p>(e) Is a company in which the natural persons mentioned in paragraphs (a) to</p>

	<p>(d) above own jointly or individually 20% or more of its voting shares; or a director, CEO or a key officer of such Company.</p> <p>(f) Is an Affiliated Company or a Parent Company of the Company.</p>
Relative(s)	means in relation to any person any relative of such person up to the fourth degree.
Shareholder	Every person (legal or natural) holding shares in the Company.
Stakeholder	Every person (legal or natural) having an interest in the Company including for example shareholders, employees, creditors, clients, customers, suppliers and investors.
Subsidiary	A company that is controlled by another company or whose capital is more than 50% owned by another company.
Tag Along Right	the minority shareholders' right to participate in a major sale of shares or a public offering and to sell their shares on the same terms and conditions.
Substantial Commercial or Financial Transactions	Commercial or Financial Transactions shall be deemed "substantial" if the total value of the transactions of the same nature (for example distribution of products, or import of goods etc...) reaches in the same year 10% or more of the average of the total annual transactions of the same nature executed with the Company over the last three years (i.e. the result obtained by dividing the sum of the total transactions over the last three years by three to obtain the "average" for one year.)

**Article 2 - Scope and Principle of "Comply or Clarify"**

- 2.1 The provisions of this Code shall apply to all joint-stock companies listed on any stock market that is subject to the regulation of the Qatar Financial Markets Authority.
- 2.2 This Code is based on the principle of comply, or explain the reasons for non-compliance.

Companies are required to disclose the extent to which they comply with the provisions of this Code. Where a Company does not comply with any provision of this Code, it must identify such provision or article that is not complied with, and justify and explain the reasons and rationale behind its non compliance therewith. Such clarification should be included in the Corporate Governance Report as per the disclosure mechanism set out in this Code, and in such a way enabling the shareholders and the general public to evaluate the Company's commitment to this Code and to corporate governance in general.

## **SECTION II – COMPLIANCE WITH CORPORATE GOVERNANCE**

### **Article 3 - Company's Obligation to comply with Corporate Governance Principles**

- 3.1 The Board shall ensure that the Company complies with the principles set out in this Code. The Board shall also review and update its corporate governance practices, and regularly review the same.
- 3.2 The Board shall regularly review and update professional conduct rules setting forth the Company's corporate values and other internal policies and procedures all of which shall be binding upon the Members of the Board of Directors and the Company's staff as well as the Company's advisors (These professional conduct rules may include but are not limited to the Board Charter, audit committee's charter, company regulations , related party transactions policy and insider trading rules ). The Board should review these professional conduct principles regularly so as to ensure they reflect best practices and they meet the needs of the Company.

## SECTION III- THE BOARD OF DIRECTORS

### Article 4 - Board Charter

The Board shall make sure that the Company adopts a Charter for the Board of Directors detailing the Board's functions and responsibilities as well as the Board Members duties which shall be fulfilled by all Board Members. The said Board Charter shall be drafted to comply with the provisions of this Code, and shall be based on the Board Charter annexed to this Code and as may be amended from time to time by the Authority. The said Board Charter shall be published and made available to the public.

### Article 5- Board Mission and Responsibilities:

- 5.1 The Company shall be managed by an effective Board of Directors which shall be individually and collectively responsible for the proper management of the Company.
- 5.2 In addition to the Board functions and responsibilities as set out in the Board Charter, the Board shall be responsible for:
  - 5.2.1 Approving the Company's strategic objectives, appointing and replacing management, setting forth management compensation, reviewing management performance and ensuring succession planning concerning the Company's management.
  - 5.2.2 Ensuring the Company's compliance with related laws and regulations as well as the Company's articles of association and by-laws. The Board is also responsible for protecting the Company from illegal, abusive or inappropriate actions and practices.
- 5.3 The Board may delegate some of its functions and constitute special committees, for the purpose of undertaking specific operations on its behalf. In this case written and clear instructions shall be given concerning the delegated function or authority with the requirement to obtain the Board's prior approval on specific matters. In any event, and even where the Board delegates one of its functions or authorities, the

Board remains liable for all of its functions or authorities so delegated.

**Article 6 - Board Members ' Fiduciary Duties**

- 6.1 Each Board Member owes the Company the fiduciary duties of care, loyalty and compliance with the rules set out in related laws and regulations including this Code and the Board Charter.
- 6.2 Board Members must at all times act on an informed basis, in good faith, with due diligence and care, and in the best interests of the Company and all shareholders.
- 6.3 Board Members shall act effectively to fulfill their responsibilities towards the Company.

**Article 7 - Separation of Positions of Chairman and CEO**

- 7.1 The same person may not hold or exercise the positions of Chairman and Chief Executive Officer at the same time. The division of responsibilities between the two positions shall be clear.
- 7.2 In all circumstances, no one person in the Company should have unfettered powers to take decisions.

**Article 8 - Duties of the Chairman of the Board**

- 8.1 The Chairman is responsible for ensuring the proper functioning of the Board; in an appropriate and effective manner including timely receipt by the Board Members of complete and accurate information.
- 8.2 The Chairman may not be a member of any of the Board committees prescribed in this Code.
- 8.3 The duties and responsibilities of the Chairman of the Board of Directors shall, in addition to the provisions of the Board Charter, include but not be limited to the following:
- 8.3.1 to ensure that the Board discusses all the main issues in an efficient and timely manner;

- 8.3.2 to approve the agenda of every meeting of the Board of Directors taking into consideration any matter proposed by any other Board Member; this may be delegated by the Chairman to a Board Member but the Chairman remains responsible for the proper discharge of this duty by the said Board Member ;
- 8.3.3 to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board of Directors for ensuring that the Board of Directors is working in the best interest of the Company;
- 8.3.4 to ensure effective communication with Shareholders and communication of their opinions to the Board of Directors; and
- 8.3.5 to allow effective participation of the Non-Executive Board Members in particular and to promote constructive relations between Executive and Non-Executive Board Members;
- 8.3.6 to ensure the conducting of an annual evaluation to the Board's performance.

#### **Article 9 - Board Composition**

- 9.1 The Board composition shall be determined in the Company's by-laws. The Board shall include executive, non-executive and independent Board Members so as to ensure that the Board decisions are not dominated by one individual or a small group of individuals.
- 9.2 At least one third of the Board Members shall be Independent Board Members and a majority of the Board Members shall be Non-Executive Board Members.
- 9.3 Board Members shall have adequate expertise and knowledge to effectively perform their functions in the best interest of the Company and they shall give sufficient time and attention to their role as Board Members.

## **Article 10 - Non-Executive Board Members**

### **Section 1.01**

10.1 Duties of the Non-Executive Board Members include but are not limited to the following:

- 10.1.1 participation in the meetings of the Board of Directors and providing independent opinion on strategic matters, policy, performance, accountability, resources, key appointments and operation standards;
- 10.1.2 ensuring that priority shall be given to the Company's and Shareholders' interests in case of conflict of interests;
- 10.1.3 participation in the Company's Audit Committee;
- 10.1.4 monitoring the Company's performance in realizing its agreed objectives and goals and reviewing its performance reports including the Company's annual, half yearly and quarterly reports; and
- 10.1.5 the development of the procedural rules for the Company's corporate governance for ensuring their implementation in a consistent manner; and
- 10.1.6 availing the Board of Directors and its different Committees of their skills, experiences, diversified specialties and qualifications through regular presence in the Board meetings and effective participation in the General Assemblies and the acquisition of a balanced understanding of Shareholders' opinions.

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

## **Article 11 - Board Meetings**

11.1 The Board of Directors shall hold meetings regularly, so as to ensure that the Board is effectively performing its duties. The Board shall meet at least six times during a year.

- 11.2 The Board shall meet when convened by its Chairman or upon the written request of two Board Members. The invitation for the Board meeting and agenda shall be communicated to each Board Member at least one week before the date of the meeting, noting that any Board Member may add any item to the agenda.

**Article 12 - Board Secretary**

- 12.1 The Board shall appoint a Board Secretary whose functions shall include recording the minutes of all the Board meetings and safekeeping records, books and reports submitted by or to the Board. Under the direction of the Chairman, the Board Secretary shall also be in charge of ensuring timely access to information and coordination among the Board Members as well as between the Board and the other stakeholders in the company including shareholders, management, and employees.
- 12.2 The Board Secretary shall ensure that Board Members have full and timely access to the minutes of all Board meetings, information, documents, and records pertaining to the Company.
- 12.3 All Board Members shall have access to the services and advice of the Board Secretary.
- 12.4 The Board Secretary may only be appointed or removed by a Board resolution.
- 12.5 The Board Secretary should preferably be a member of a recognized body of professional accountants, or a member of a recognized or chartered body of corporate secretaries, or a lawyer or a graduate from a recognized university or equivalent. He should have at least three years experience of handling the affairs of a public company listed in the market..

**Article 13 - Conflict of Interests and Insider Trading**

- 13.1 The Company shall adopt and make public general rules and procedures governing the Company's

entering into any commercial transaction with a Related Party (the Company's "Related Party Policy"). In any event, it shall not be permitted to enter into any commercial transaction (or contract) with any a Related Party unless in strict compliance with the aforementioned Related Party Policy. The said policy shall include principles of transparency, fairness and disclosure in addition to the requirement that a related party transaction be approved by a majority vote of the shareholders, without the concerned Related Party participating in the voting.

- 13.2 Whenever an issue involving conflict of interests or any commercial transaction between the Company and any of its Board Members or any Party related to said Board Member, is discussed in a Board meeting, the said issue shall be discussed in the absence of the concerned Board Member who may not in any event participate in the voting on the matter. In any event, such transaction shall be made at market prices and on arm's length basis and shall not involve terms that are contrary to the interests of the Company.
- 13.3 In any event, such transactions shall be disclosed in the Company's annual report and specifically referred to in the General Assembly following such commercial transactions.
- 13.4 Trading by Board Members' in the Company's shares and other securities shall be disclosed and the Company shall adopt clear rules and procedures governing trading by Board Members and employees in the company securities.

#### **Article 14 - Other Board Practices and Duties**

- 14.1 Board Members shall have full and immediate access to information, documents, and records pertaining to the Company. The Company's executive management shall provide the Board and its committees with all requested documents and information.

- 14.2 The Board Members shall ensure that the Nomination, Remuneration and the Audit Committee members, the Internal Audit and representatives of the External Auditors attend the General Assembly.
- 14.3 The Board shall put in place an induction program for newly appointed Board Members in order to ensure that, upon their election, Board Members are made fully aware of their responsibilities, and have proper understanding of the manner in which the Company operates.
- 14.4 The Board Members are responsible for having an appropriate understanding of their role and duties, and for educating themselves in financial, business, and industry practices as well as the Company's operations and functioning. In this respect, the Board shall adopt an appropriate formal training to enhance Board Members' skills and knowledge.
- 14.5 The Board of Directors shall at all times keep its Members updated about the latest developments in the area of corporate governance and best practices relating thereto. The Board may delegate the same to the audit committee or the governance committee or any other body as it deems appropriate.
- 14.6 The Company's articles of association shall include clear procedures for removing Board Members in the event of failing to attend Board meetings.

**Article 15 - Board Members Appointment. The Nomination Committee**

- 15.1 Nominations and appointments of Board Members shall be made according to formal, rigorous and transparent procedures.
- 15.2 The Board shall constitute a Nomination Committee chaired by an Independent Board Member and comprised of Independent Board Members which shall recommend Board Members' appointments and re-nomination for election by the

- General Assembly (for the avoidance of doubt, nomination by the Committee does not deprive any shareholder of his rights to nominate or to be nominated);
- 15.3 Nominations shall take into account *inter alia* the candidates' sufficient availability to perform their duties as Board Members, in addition to their skills, knowledge and experience as well as professional, technical, academic qualifications and personality and should be based on the 'Fit and Proper Guidelines for Nomination of Board Members' annexed to the Code as amended by the Authority from time to time;
- 15.4 Upon its establishment, the Nomination Committee shall adopt and publish its terms of reference explaining its authority and role.
- 15.5 The Nomination Committee's role shall also include conducting an annual self-assessment of the Board's performance.
- 15.6 Banks and other companies shall comply with any conditions or requirements relating to the nomination, election or appointment of Board Members issued by Qatar Central Bank or any other relevant authority.

**Article 16 - Board Members' Remuneration - Remuneration Committee**

- 16.1 The Board of Directors shall establish a Remuneration Committee comprised of at least three Non-Executive Board Members the majority of whom must be Independent.
- 16.2 Upon its constitution, the Remuneration Committee shall adopt and make available its terms of reference explaining its role and main responsibilities.
- 16.3 The Remuneration Committee's main role shall include setting the remuneration policy of the Company including remuneration of the Chairman

and all Board Members as well as Senior Executive Management.

- 16.4 The Remuneration Policy shall be presented to the shareholders in the General Assembly for approval and shall be made public.
- 16.5 Remuneration shall take into account the responsibilities and scope of the functions of the Board Members and members of Senior Executive Management as well as the performance of the Company. Compensation may include fixed and performance-related components, noting that such performance related components should be based on the long-term performance of the Company.

**Article 17 - Audit Committee**

- 17.1 The Board of Directors shall establish an Audit Committee that shall be comprised of at least three members the majority of whom should be Independent. The Audit Committee must include at least one member with financial and audit experience. If the number of available Independent Board Members was not sufficient to fill the Audit Committee membership, the Company may appoint members that are not Independent Board Members provided that the Chairman of the Committee is Independent.
- 17.2 In any event, any person who is or has been employed by the Company's external auditors within the last 2 years may not be a member of the Audit Committee.
- 17.3 The Audit Committee may consult at the Company's expense any independent expert or consultant.
- 17.4 The Audit Committee shall meet as needed and regularly at least once every three months and shall keep minutes of its meetings.
- 17.5 In the event of any disagreement between the Audit Committee's recommendations and the Board's decision including where the Board refuses to



follow the Committee's recommendations concerning the external auditor, the Board shall include in the Company's Governance Report, a statement detailing such recommendations and the reason(s) behind the Board of Directors' decision not to follow the recommendations.

17.6 Upon its establishment, the Audit Committee shall adopt and make public its terms of reference explaining its main role and responsibilities in the form of an Audit Committee Charter including in particular the following:

17.6.1 to adopt a policy for appointing the External Auditors; and to report to the Board of Directors any matters that, in the opinion of the Committee, necessitate action and to provide recommendations on the necessary procedures or required action;

17.6.2 to oversee and follow up the independence and objectivity of the external auditor and to discuss with the external auditor the nature, scope and efficiency of the audit in accordance with International Standards on Auditing and International Financial Reporting Standards;

17.6.3 to oversee, the accuracy and validity of the financial statements and the yearly, half-yearly and quarterly reports , and to review such statements and reports. In this regard particularly focus on:

1. Any changes to the accounting policies and practices;
2. Matters subject to the discretion of Senior Executive Management;
3. The major amendments resulting from the audit;
4. Continuation of the Company as a viable going concern;
5. Compliance with the accounting standards designated by the Authority;
6. Compliance with the applicable listing Rules in the Market; and
7. Compliance with disclosure rules and any other requirements relating to the preparation of financial reports;

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- 17.6.4 to coordinate with the Board of Directors, Senior Executive Management and the Company's chief financial officer or the person undertaking the latter's tasks, and to meet with the external auditors at least once a year;
- 17.6.5 to consider any significant and unusual matters contained or to be contained in such financial reports and accounts. And to give due consideration to any issues raised by the Company's chief financial officer or the person undertaking the latter's tasks, or the Company's compliance officer or external auditors;
- 17.6.6 to review the financial and Internal Control and risk management systems;
- 17.6.7 to discuss the Internal Control systems with the management to ensure management's performance of its duties towards the development of efficient Internal Control systems;
- 17.6.8 to consider the findings of principal investigations in Internal Control matters requested by the Board of Directors or carried out by the Committee on its own initiative with the Boards' approval;
- 17.6.9 to ensure ;coordination between the Internal Auditors and the External Auditor, the availability of necessary resources, and the effectiveness of the Internal Controls;
- 17.6.10 to review the Company's financial and accounting policies and procedures;
- 17.6.11 to review the letter of appointment of the External Auditor, his business plan and any significant clarifications he requests from senior management as regards the accounting records, the financial accounts or control systems as well as the Senior Executive management's reply ;
- 17.6.12 to ensure the timely reply by the Board of Directors to the queries and matters contained in the External Auditors' letters or reports;

- 17.6.13 to develop rules, through which employees of the Company can confidentially report any concerns about matters in the financial reports or Internal Controls or any other matters that raise suspicions. And to ensure that proper arrangements are available to allow independent and fair investigation of such matters whilst ensuring that the aforementioned employee is afforded confidentiality and protected from reprisal. Such rules should be submitted to the Board of Directors for adoption.
- 17.6.14 to oversee the Company's adherence to professional conduct rules;
- 17.6.15 to ensure that the rules of procedure related to the powers assigned to the Board of Directors are properly applied;
- 17.6.16 to submit a report to the Board of Directors on the matters contained in this Article ;
- 17.6.17 to consider other issues as determined by the Board of Directors;

#### **SECTION IV – INTERNAL CONTROL**

##### **Article 18 – Compliance, Internal Controls and the Internal Auditor**

- 18.1 The Company shall adopt Internal Control Systems, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance code and compliance with related laws and regulations. And the Internal Control Systems shall set clear lines of responsibility and accountability throughout the Company's departments.
- 18.2 Internal Control Systems shall include effective and independent risk assessment and management functions, as well as financial and operational internal audit functions in addition to the external audit. The Internal Control Systems shall also

ensure that all related-party transactions are handled in accordance with the requirements related thereto.

- 18.3 The Company shall have an internal audit function with clearly defined functions and role. In particular, the internal audit function shall :
- 18.3.1 audit the Internal Control Systems and oversee their implementation;
  - 18.3.2 be carried out by operationally independent, appropriately trained and competent staff; and
  - 18.3.3 Submit its reports to the Board of Directors either directly or through the Board's Audit Committee; and is responsible to the Board; and
  - 18.3.4 Has access to all Company's activities; and
  - 18.3.5 Be independent including being independent from the day-to-day Company functioning. Its independence should be reinforced for example by having the Board determine compensation of its staff.
- 18.4 The internal audit function shall include at least one internal auditor appointed by the Board of Directors. This internal auditor shall report to the Board or the Chief Executive Officer of the Company, either directly or through the Audit Committee.
- 18.5 The internal auditor shall prepare and submit to the Audit Committee and the Board of Directors an "internal audit report" which shall include a review and assessment of the Internal Control system of the Company. The scope of the Internal Audit Report shall be agreed between the Board (based on the Audit Committee recommendation) and the internal auditor and shall include particularly the following:
- Control and oversight procedures of financial affairs, investments, and risk management.
  - Comparative evaluation of the development of risk factors and the systems in place to respond to drastic or unexpected market changes.
  - Assessment of the performance of the Board and senior management in implementing the Internal Control Systems, including the number of times the Board was notified of control issues (including risk

management) and the manner in which such issues were handled by the Board.

- Internal Control failure, weaknesses or contingencies that have affected or may affect the Company's financial performance and the procedure followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company's annual reports and financial statements).
- The Company's compliance with applicable market listing and disclosure rules and requirements.
- The Company's compliance with Internal Control systems in determining and managing risk.
- All relevant information describing the Company's risk management operations.

18.6 The Internal Audit Report shall be prepared every three months.

## **SECTION V – EXTERNAL AUDITOR**

### **Article 19 – External Auditor**

19.1 An External Auditor who is independent, and qualified, and appointed upon the recommendation of the Audit Committee to the Board and the decision of the Company's General Assembly, shall undertake an annual and semi-annual independent audit. The purpose of the said audit is to provide an objective assurance to the Board and shareholders that the financial statements are prepared in accordance with this Code, related laws and regulations and international financial reporting standards and accurately represent the financial position and performance of the Company in all material respects.

19.2 The External Auditor shall comply with the highest professional standards and he shall not be contracted by the Company to provide any advice or services other than carrying out the audit of the Company. The External Auditor must be completely independent from the Company and its Board Members and shall not have any conflict of interests in his relation to the Company.

- 19.3 The Company's External Auditor must attend the Company's annual ordinary General Assembly where he shall deliver his annual report and answer any queries in this respect.
- 19.4 The External Auditor is accountable to the shareholders and owes a duty to the Company to exercise due professional care in the conduct of the audit. The External Auditor is also responsible for notifying the Authority and any other regulatory authority should the Board fail to take proper action concerning suspicions raised or identified by the External Auditors.
- 19.5 A listed company shall change its External Auditor every three years at a maximum.

## **SECTION VI – DISCLOSURE**

### **Article 20 - The Corporate Governance Report**

- 20.1 The Company must comply with all disclosure requirements including financial reporting as well as disclosing shareholdings of Board Members, senior executives and major or controlling shareholders. The Company must also disclose information about its Board Members including notably a resume of each member describing his/her respective education, profession, other board seats that they may hold (if any). Names of the members of various Committees constituted by the Board as mentioned in Article 5.3, along with the composition of the committee, should also be disclosed.
- 20.2 The Board shall ensure that all disclosure made by the Company provides accurate and true information which is not non-misleading.
- 20.3 The Company's financial reports must comply with IFRS /IAS and ISA standards and requirements. In addition to stating whether the external auditor obtained all information needed, the external

auditor report shall also state whether the Company conforms to IFRS/IAS and that the audit has been conducted in accordance with IAS.

- 20.4 The Company audited financial reports shall be circulated to all shareholders.

## **SECTION VII – SHAREHOLDERS RIGHTS**

### **Article 21-General Rights of Shareholders and Key Ownership Elements**

Shareholders have all rights conferred upon them by related laws and regulations including this Code as well as the Company's by-laws; and the Board shall ensure that shareholders' rights are respected in a fair and equitable manner.

### **Article 22- Ownership Records**

- 22.1 The Company shall keep valid and up to date records of share ownership.
- 22.2 Shareholders shall have the right to review and access for free the Company's shareholders' register at the Company's regular office hours or as otherwise determined in the Company's Access to Information Procedures.
- 22.3 The Shareholder shall be entitled to obtain a copy of the following:
- 22.3.1 Shareholders' register,
  - 22.3.2 Board Members' register,
  - 22.3.3 Articles of Association and by-laws of the Company,
  - 22.3.4 Instruments creating a charge or right on the Company's assets,
  - 22.3.5 Related party contracts and any other document as the Authority may decide upon payment of a prescribed fee.

**Article 23- Access to Information**

- 23.1 The Company shall include in its articles of association and by-laws Procedures of Access to Information to ensure that shareholders rights of access to Company documents and information in a timely manner and on a regular basis, are preserved. The Access to Information Procedures shall be clear and detailed and shall determine (i) the Accessible Company Information including the types of information that is made accessible on an on-going basis to individual shareholders or to shareholders representing a minimum percentage of the Company's share capital, and (ii) clear and express procedures to access such information.
- 23.2 The Company shall have a website where all relevant information and public information and disclosures must be posted. This includes all information that is required to be made public by this Code and any related laws and regulations.

**Article 24 - Shareholders Rights with Regard to Shareholders' Meetings**

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

**Article 25 - Equitable Treatment of Shareholders and Exercise of Voting Rights**

- 25.1 All shares of the same class, shall have the same rights attached to them.
- 25.2 Proxy voting is permitted in compliance with related laws and regulations.

**Article 26 - Shareholders' Rights Concerning Board Members' Election**

- 26.1 The Company's articles of association and by-laws shall include provisions ensuring that shareholders are given information relating to Board Members' candidates including a description of candidates' professional and technical skills, experience and other qualifications.
- 26.2 Shareholders shall have the right to cast their votes for Board Member's election by Cumulative Voting.

**Article 27 - Shareholders' Rights Concerning Dividend Distribution**

The Board of Directors shall submit to the General Assembly a clear policy on dividend distribution. This shall include the background and rationale of such policy in terms of the best interest of the Company and the shareholders.

**Section 1.02 Article 28 - Capital Structures, Shareholders' Rights, Major Transactions**

- 28.1 Capital Structures should be disclosed and Companies should determine the type of shareholders agreements that should be disclosed.
- 28.2 Companies shall adopt in their articles of association and/or by-laws provisions for the protection of minority shareholders in the event of approval of Major Transactions where the said minority shareholders have voted against such Major Transactions.
- 28.3 Companies shall adopt in their articles of association and/or by-laws, a mechanism ensuring the trigger of a public offer or the exercise of Tag Along Rights in the case of a change in ownership exceeding a specific percentage (threshold) . The

thresholds should take into consideration shares held by third parties but under the control of the disclosing shareholder, including shares covered by shareholder agreements which should also be disclosed.

## **SECTION VIII –STAKEHOLDERS RIGHTS**

### **Article 29 – Stakeholders’ Rights**

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

## **SECTION IX – CORPORATE GOVERNANCE REPORT**

### **Article 30 - The Corporate Governance Report**

The Board shall prepare an annual Corporate Governance Report signed by the Chairman. This report shall include the

Board's assessment of the Company's compliance with the provisions of this Code. This Report shall be submitted to the Authority on an annual basis and whenever required by the Authority. The said Report shall be published and shall include all information related to the application of this Code, including notably:

- 30.1 Procedures followed by the Company in this respect;
- 30.2 Any violations committed during the financial year, their reasons and the remedial measures taken and measures to avoid the same in the future;
- 30.3 Members of the Board of Directors and its Committees and their responsibilities and activities during the year, according to the categories and terms of office of said members along with the method of determining the Directors and Senior Executive Managers remuneration;
- 30.4 Internal Control procedures including particularly the Company's oversight of financial affairs, investments, and risk management;
- 30.5 The procedure followed by the Company in determining, evaluating and managing significant risks, a comparative analysis of the Company's risk factors and discussion of the systems in place to confront drastic or unexpected market changes;
- 30.6 Assessment of the performance of the Board and senior management in implementing the Internal Control systems, including identification of the number of times when the Board was notified of control issues (including risk management) and the way such issues were handled by the Board;
- 30.7 Internal control failures or weaknesses or contingencies that have affected or may affect the Company's financial performance and the procedures followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company's annual reports and financial statements);
- 30.8 The Company's compliance with applicable market listing and disclosure rules and requirements;
- 30.9 The Company's compliance with Internal Control systems in determining and managing risks;
- 30.10 All relevant information describing the Company's risk management operations and Internal Control procedures.

## SECTION X- CODE ENFORCEMENT

### Article 31 - Code Enforcement

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

## **Annex (1): GUIDELINES FOR THE NOMINATION OF BOARD MEMBERS (Fit and Proper Criteria)**

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

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

These Guidelines should be read in conjunction with the Code.

### **2. Definition of “fit and proper”**

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

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

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

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

#### **a) Evaluation of Fitness (Financial status)**

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

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

- (1) Is bankrupt or financially insolvent and has not been discharged, or is currently subject to bankruptcy proceedings or is a bankrupt who has been discharged within the previous three (3) years
- (2) In considering whether to nominate a bankrupt person who has been discharged, the Nomination Committee would have regard to the circumstances of the discharge and whether the date of the discharge was recent.
- (3) The Nomination Committee should have regard to the circumstances of the failure to meet a judgment debt and where a person has been associated with an entity that became insolvent, went into administration, was under the control of a Court appointed liquidator or otherwise failed to meet its financial obligations to creditors or beneficiaries, that person's competence, honesty and integrity may be brought into question. This may not necessarily mean that an instance in a person's past (for instance, where their association was at a very junior level) would rule them out. The Nomination Committee can enquire further into the matter to establish whether or not the circumstances reflect on the person's probity or competence as it is important for the Nomination Committee to be aware of any such instances, even where they make a decision to nominate such person.

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

- (1) Is subject to receivership, administration, liquidation or other similar proceedings;
- (2) Has failed to meet any judgment debt;  
These requirements are aimed at identifying companies of dubious financial status or solvency. As with the same requirements in respect of individuals, the Nomination Committee would have regard to the circumstances of the failure to meet a judgment debt and the date of the act;
- (3) Is unable to meet any capital requirement applicable to it; and
- (4) Is unable to meet any financial regulatory requirement applicable to it.

**(b) Evaluation of Properness**

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

- (1) The general structure of the regulatory framework that applies to the Company's proposed activities;
- (2) The legislations, laws, principles, and supervisory rules specific to stock markets;
- (3) The obligations owed to clients and the general obligations owed to their principals or employers; and
- (4) The financial products they deal in or advise upon and the market in which the service is provided.
- (5) A person has to demonstrate the ability to carry on the regulated activity competently, honestly and fairly; and in compliance with all relevant laws, codes and guidelines promulgated by the QFMA and other regulators (where applicable). The Nomination Committee is not likely to be satisfied that a person is a proper person if that person:

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

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

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

- (1) Has Board Members or key personnel (such as managers, officers, Board Member, and Executive Manager), substantial shareholders or other controllers who fail to meet the Properness Guidelines;

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

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

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

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

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

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



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

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

- (1) Was found to be of poor reputation or reliability, or lacking in financial integrity. Similar considerations will be given to the events described in (c) (1), (2), (3), (4), (5), (6), (7), (8) and (9) above;
- (2) Has been served with a winding up petition.

**3. Continuing requirements:**

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

## **Annex (2):Board Charter Form**

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

matters, the duty of care also requires Board members to take reasonable steps to monitor the Company's management and finances.

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

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

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

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

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

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

### 3.3 Board Members Duty to Comply With the Corporate Authority

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