

# Board Member's Guide

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## Introduction

This Guide aims to clarify the general framework of the Board in listed companies, define its responsibilities and competencies, and clarify the duties of the Chairman of the Board and Board members in order to strengthen the Board's role in the Company. This would enhance the efficiency of the Company's management and regulate the relationships between the Board and the Executive Directors, as well as between the Board and the shareholders to facilitate the decision making process and add transparency and credibility to it with the objective of protecting the rights of shareholders and Stakeholders and achieving fairness, competitiveness and transparency on the Exchange.

This Guide is not a substitute for the provisions of the Capital Market Law, the Companies Law or their Implementing Regulations. In case of any conflict between the Guide and the provisions of the Capital Market Law, the Companies Law or their Implementing Regulations, such provisions shall prevail. Since the Capital Market Authority (the Authority)'s regulations are subject to continuous amendments, reliance shall be always on the Regulations published on the Authority's website.

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## The Composition of the Board

- The Company's bylaws shall specify the number of Board members, taking into account the size and nature of the Company's business, provided that such number shall not be less than three and not more than eleven members.
- The majority of Board members shall be of Non-Executive Directors.
- The number of Independent Directors shall not be less than two members or one-third of Board members, whichever is greater.

## Classification of Board Members

Executive Director	Executive Director: a member of the Board who is a full-time member of the executive management team of the Company and participates in its daily activities.
Non-executive Director	A member of the Board who is not a full-time member of the management team of the Company and does not participate in its daily activities.
Independent Director	A non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in the Corporate Governance Regulations apply to him/her.

## Conditions for the Membership of the Board

The Board plays a significant role in the Company's success, growth and continuation. Thus, Board members shall be carefully selected to realize these objectives. Below are some of the most important conditions to be met by Board members:

- Ability to lead: He/she shall have leadership skills.
- Competency: He/she shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience.
- Ability to guide: He/she shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job.
- Financial knowledge: He/she shall have the ability to read and understand financial statements and reports.
- Physical fitness: He/she shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.

## Responsibilities and Duties of the Chairman of the Board

The Board plays a significant role in the Company's success, growth and continuation. Thus, Board members shall be carefully selected to realize these objectives. Below are some of the most important conditions to be met by the Board members:

- 01- Ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course.
- 02- Ensuring that the Board effectively discusses all fundamental issues in due course.
- 03- Encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company.
- 04- Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board.
- 05- Encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the Executive, Non-Executive and Independent Directors on the other hand, and creating a culture that encourages constructive criticism.
- 06- Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.

**07-** Presiding over the General Assembly meetings of shareholders or delegating his deputy or whoever delegated by the Board.

**08-** Providing shareholders with the Company's financial statements, Board's report and auditor's report, unless they are published in a daily newspaper to be distributed in the Company's head office, and sending a copy of these documents to the Authority and Ministry of Commerce at least (15) days before the General Assembly meeting.

**09-** Notifying the Ordinary General Assembly while convening of the businesses and contracts in which any Board member has direct or indirect interest, the notification shall include the information provided by the member to the Board as per Paragraph (14) of Article (30) of the Corporate Governance Regulations. This notification shall be accompanied by a special report of the Company's external auditor.

**10-** Representing the Company before third parties or delegating his powers to perform work (s) specified in writing to another Board member or others.

**11-** Notifying Board members promptly when the Company's losses reach half of the paid-up capital.

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## **Responsibilities of the Board, Duties and Responsibilities of Board Members**

The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs, undertake all actions in the Company's general interest, develop it and maximize its value. The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals, or other third parties. A Board member shall constantly develop its knowledge in the Company's activities and business. In case the member completely failed to fulfill its duties as a Board member, the member shall hence resign from the Board membership. Below are some of the Board functions and powers.



## Company's Strategy

- Laying down the plans, policies, strategies and main objectives of the Company, supervising their implementation and reviewing them periodically; and, ensuring that the human and financial resources required to fulfill them are available.
- Board members shall make suggestions to develop the Company's strategy.
- Setting the values and standards that govern the work at the Company.

## Internal Control System & Risk Management

- Implementing internal control systems and procedures, and generally supervise them.
- Applying appropriate control systems for measuring and managing risks.

## Finance Management

- Supervising the management of the Company's finances, its cash flows as well as its financials and credit relationships with others.
- Preparing interim and annual financial statements of the Company, including the proposed method for profit distribution and approval of statements before publication. However, the Board shall provide these documents to the Auditor at least (45) days before the specified date for the General Assembly meeting.
- Ensuring validity and integrity of the Company's financial statements and information.
- Reviewing the Company's performance reports.

## Relationship with Executive Management

- Board members shall monitor the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company.
- Board members shall determine the appropriate level of remunerations of the members of the Executive Management.
- Board members shall express opinions as to the appointment and dismissal of members of the Executive Management.
- Board members shall participate in developing the succession and replacement plans of executive positions within the Company.
- Board members shall specify the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.

## Disclosure, Compliance and Confidentiality of Information

- Board members shall set policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and stakeholders, and ensuring compliance of the Executive Management with these policies and procedures.
- Board members shall prepare and approve the Board report before being published.
- Board members shall ensure the accuracy and integrity of the data and information, which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency.
- Board members shall file copies of the said documents with the Authority and the Ministry of Commerce within (30) days from the approval date of the General Assembly on financial statements, Board's report, Auditor's report and the Audit Committee's report.
- Board members shall notify the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, names of concerned persons, and the expected benefit to be obtained directly or indirectly from that interest whether it is financial or non-financial. The concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.

- Board members shall notify the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
- Board members shall maintain the confidentiality of the information related to the Company and its activities and not disclose such information to any person.
- Within (15) days from the awareness of the Company that it has lost half of the paid-up capital at any time during the fiscal year, the Board shall call for the Extraordinary General Assembly within (45) days from the awareness of such losses to decide whether to increase or decrease the Company's capital in order to reduce losses to less than half of paid-up capital or dissolve the Company before the term specified in the Company's Bylaws.

## Relationship and Communication with Shareholders and Stakeholders

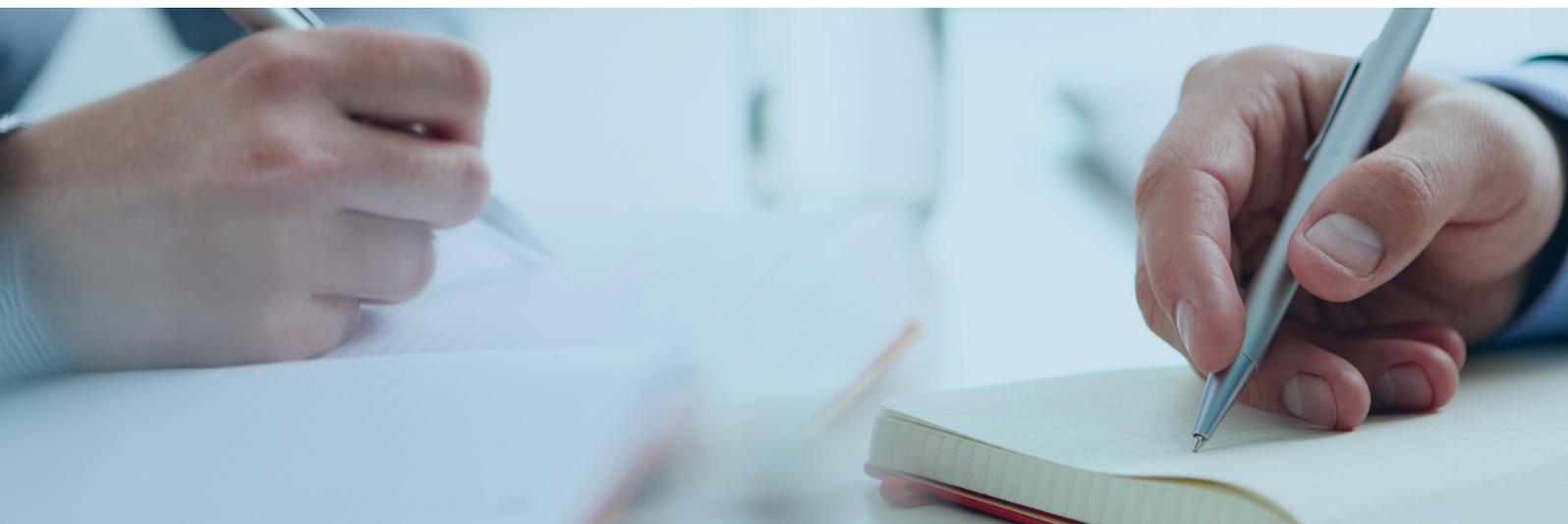
- The Board shall develop a written policy that regulates the relationship with stakeholders.
- The Board shall develop effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments.
- The Board shall make suggestions to the Ordinary and Extraordinary General Assembly in their respective areas.

## Board Membership and Committees

- The Board shall develop clear policies and standards for board membership in line with mandatory provisions of the Corporate Governance Regulations and put the same in place after the General Assembly's approval thereon.
- The Board shall form specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify names of members and their duties, rights and obligations and shall evaluate performance and activities of these committees and their members.

## Board Meetings

- Each member shall attend the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the Chairman of the Board shall be notified of by prior notice or for emergency reasons.
- Each member shall allocate sufficient time to fulfill his/her responsibilities and prepare for the Board and its committees' meetings and effectively participate therein.
- Each member shall study and analyze all information related to the matters looked into by the Board before expressing an opinion on them.



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## Prohibitions on Board Members

- Dealing with any issuer's securities over the periods stated in Article (68/A) in the Rules on the Offer of Securities and Continuing Obligations.
- Insider trading.
- Voting on a resolution taken by the Board or the General Assembly with respect to businesses and contracts that are executed for the Company's account, if he/she has a direct or indirect interest therein.
- Misusing or benefitting, directly or indirectly, from any of the Company's assets, information or investment opportunities presented to the Company or to the board member in his/her capacity as a board member. This includes investment opportunities which are within the activities of the Company, or which the Company wishes to make use of. Such prohibition shall extend to a Board member who resigns in order to, directly or indirectly, use investment opportunities that the Company wishes to use, which came to his/her knowledge during his/her membership in the Board.
- No member of the Board or Senior Executives may accept gifts from any person who has entered into commercial transactions with the Company if such acceptance of gifts may lead to a conflict of interest.
- A Board member shall not be a member of the Boards of more than five listed joint stock companies at the same time.
- Engaging in business that may compete with the Company or with any of its activities, unless the member obtained a previous authorisation from the Ordinary General Assembly, to be renewed on an annual basis, to permit him to do so.

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## The Board Meetings

The Board shall convene regular meetings to perform its duties effectively, as well as convene meetings whenever needed. The Board shall meet upon the invitation of its Chairman or upon a request from two of its members. Each Board member shall have the right to propose any item to be added to the meeting agenda. The Chairman of the Board, in consultation with members and CEO, shall prepare the meeting agenda.

## The Board Meetings

At least two meetings per annum shall be convened.

## Quorum

The meeting shall not be valid unless attended by at least half of Board members, provided that the number of attendees shall not be less than three unless the Company's bylaws stated greater percentage or number.

## Call for Meeting

At least (5) days before the date of the meeting, accompanied by the agenda of the meeting, necessary documents and information (Except for emergencies).

## Attending Meetings

- The Board member shall make every effort to attend meetings. Whereas attendance of the Board meeting must be organized and irregular attendance of members shall be addressed.
- The Independent Board member shall make every effort to attend all meetings in which important and material decisions affecting the position of the Company are made.
- The General Assembly, as per a recommendation by the Board, may terminate the membership of any member who missed three consecutive meetings without a legitimate excuse.
- If a member of the Board resigns and has comments on the performance of the Company, he/she shall submit a written statement explaining such comments to the Chairman of the Board and such statement shall be presented to Board members.

## Meeting Agenda

- The Chairman of the Board shall prepare Board meetings in consultation with the members and the CEO of the Company.
- Each Board Member shall be entitled to propose additional items to the agenda.
- Agenda of Meetings, necessary documents and information shall be sent to Board members at least (5) days before the date of the meeting, in order to:
  - ✓ Be keen on attending meetings.
  - ✓ Dedicate sufficient time to perform duties and responsibilities, including preparing for Board meetings.
  - ✓ Ensure coordinating, recording and maintaining minutes of meetings.
- The Board shall approve the agenda once the Board meeting is convened. Should any Board Member raise any objection in respect of such agenda, such objection shall be recorded in the minutes of the meeting.

## Documentation of Meetings and the Board Resolutions:

- The Board shall appoint a secretary among its members or others, whose competencies and remunerations shall be specified by a Board resolution unless the Company's bylaws include provisions in connection therewith and the Secretary shall be concerned with organising and documenting the Board meetings, provided that such powers shall include:
  - ✓ Documenting Board meetings and preparing minutes therefor, which shall include discussions and deliberations carried out during such meetings, as well as the venue, date, and times on which such meetings commenced and concluded; and recording resolutions of the Board and voting results and retaining them in a special and organised register, and including names of attendees and any reservations they expressed (if any), Such minutes shall be signed by all of attending members.
  - ✓ Retaining reports submitted to and reports prepared by the Board;
  - ✓ Regulating disclosure register of Board members and the Executive Management.
- If any Board Member has any remarks in respect of the Company's performance or any of the matters presented and which were not resolved in the Board meeting, such remarks shall be recorded and procedures taken or to be taken by the Board in connection therewith must be set forth in the minutes of the Board meeting.
- If a Board Member expresses an opinion that differs from the Board's resolution, such opinion must be recorded in detail in the minutes of the Board meeting.
- The Board may issue resolutions on urgent matters by presenting them to the members separately unless a member asks to write Board meeting for deliberation and such resolutions shall be presented to the Board on the first upcoming meeting.
- Board resolutions shall be taken by the majority of present members or representatives. In case of a tie, the chairman of the meeting shall have the casting vote unless the Company's bylaws stipulates otherwise.

## Linking Board Meetings with Remuneration:

Remuneration Committee shall be responsible for preparing Board Members' and Board's Committees remuneration policy, provided that such policy shall bear in mind following-up, disclosing and ensuring implementation of performance standards. Remuneration Committee's Regulations shall be issued by the Company's General Assembly as proposed by the Board.

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## Board's Committees

### Formation of Committees

- The Board must form Board committees according to the Company's need, conditions and positions and in order to enable the Company to effectively perform its duties. Committees shall be formed according to the Board's general procedures, which include each committee's duties, term and authorised powers throughout such period and manner used to be monitored by the Board.
- The Corporate Governance Regulations specified two main committees that must be formed by the Board, which are: Nomination Committee and Remuneration Committee. Further committees may be formed to assist the Board to raise its efficiency, such as Risk Management Committee and Governance Committee.

### Assessment of Committees' Performance

- The Board shall conduct an annual assessment of committees' performance.

### Communicating with Shareholders

- The Chairmen, or whom they delegate to each committee members, must attend the General Assembly meetings and answer questions raised by the shareholders.



1- Please refer to the Authority's Corporate Governance Regulations for more details about committees and workflow.

Committee Name	Formation	No. of Meetings	Competences
Remuneration Committee	Formed by Board's Resolution	At least once a year	The most important competencies are:- Prepare a clear policy for remunerations of Board Members, the committees and the Executive Management, and raise such policy to the Board in preparation for approval by the General Assembly, and then periodically review the remuneration policy and assess its effectiveness in achieving its objectives.
Nomination Committee		At least once a year	The most important competences are:- suggest a clear policies and standards for membership in the Board and the Executive Management, provide recommendations to the Board to nominate members and annually ensure independence of the Independent Directors and absence of any conflicts of interest.
Risk Management Committee		At least once every six months	Main duty of the Risk Management Committee is to develop a strategy and comprehensive policies for risk management, supervise the Company's risk management system and assess the effectiveness of systems and mechanisms of defining and measuring the monitoring of risks that threaten the Company in order to determine areas of inadequacy therein.
Corporate Governance Committee		At least once a year	The main duty of Corporate Governance Committee is to develop governance rules for the Company in accordance with the provisions of the Corporate Governance Regulations, and shall monitor their implementation, verify their effectiveness, and amend when necessary. Oversee any matters relating to implementation of governance, and shall provide the Board with its reports and recommendations annually.

- 2- Remuneration and Nomination Committees may be merged into a single committee, provided that the meeting is periodically held at least every 6 months.
- 3- Optional Committee.
- 4- Optional Committee, in case it is not formed, its competences shall be transferred to the Company's Board.

## Training & Development

- The Company shall pay adequate attention to training and preparation of Board members and shall develop necessary programs required for that in order to make Board members familiar with the progress of the Company's business and activities.
- The Company shall develop necessary mechanisms for Board members to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the Company's activities.

## Assessment of Performance

Assessment shall be made annually such that the Board develops, as proposed by the Nomination Committee, the required mechanisms to assess performance of:

- The Board
- Board Committees
- Board Members
- The Executive Management

### Key Areas Covered by the Assessment:

Board skills and experiences	Identify the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve performance of the Board.
Assessment of mechanisms of the Board's activities in general	Using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interest of the Company.
Individual assessment of Board members	The extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees' meetings and dedicating sufficient time thereof.
Assessment of performance from a competent third party every three years	This shall be arranged by the Board.
Periodic assessment of Board member performance	Non-Executive Directors shall carry out this assessment after getting opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interest of the Company.

