

ALHOKAIR
Fashion Retail



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Fawaz Abdulaziz Al-Hokair & Co.
Saudi Joint Stock Company

Board of Directors Manual

Ver. 1 – September, 2012

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1. Introduction

The role of the Board of Directors can be summarized as being to bring an independent and objective view to the Company's decisions and to oversee the performance and activities of management.

This manual is intended to assist Fawaz Abdulaziz Al-Hokair & Co.' (hereafter referred as the "Al-Hokair Fashion Retail" or "Company") Board members in assuming their responsibilities efficiently and to provide perspectives to the Board of Directors (hereafter referred as the "Board") on improving their effectiveness in addressing these expectations. It describes areas we believe Board members should focus on.

Performance	Compliance/legal conformance	Overall operations
<ul style="list-style-type: none"> ◦ Ensuring the Company's long term viability and enhancing the financial position ◦ Driving management to articulate a corporate strategy ◦ Approving the business plan, budget and corporate policies ◦ Agreeing key performance indicators (KPIs) ◦ Monitoring/assessing performance of the Company, the Board itself, management and major projects ◦ Overseeing the risk management framework and monitoring business risk ◦ Monitoring development of the industry and the operating environment ◦ Oversight of the Company, including its control and accountability system ◦ Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestiture 	<ul style="list-style-type: none"> ◦ Understanding and protecting the Company's financial position ◦ Requiring and monitoring legal and regulatory compliance including compliance with accounting standards, unfair trading legislation, occupational health and safety and environmental standards ◦ Approving annual financial reports, annual reports and other public documents/sensitive reports ◦ Ensuring an effective system of internal controls exists and is operating as expected 	<ul style="list-style-type: none"> ◦ Establishing the Company's vision, mission and ethical standard ◦ Delegating an appropriate level of authority to management ◦ Demonstrating leadership ◦ Assuming responsibility for the relationship with CEO including his appointment, succession, performance assessment, remuneration and dismissal ◦ Overseeing aspects of the employment of the management team including remuneration, performance and succession planning ◦ Recommending auditors and new directors to shareholders. ◦ Ensuring effective communications with shareholders and other stakeholders ◦ Crisis management ◦ Appointment of the CFO and Corporate Officer

Table 1: Board responsibilities

2. The Business Judgment Rule

The business judgment rule provides that, if as a director, you make a decision in relation to the business operations of the Company and meet a number of specific requirements, then you will be taken to have discharged your duty to act with care and diligence. The specific requirements that must be met are that:

- You made the decision in good faith for a proper purpose.
- You do not have a material personal interest in the subject matter of decision.
- You have taken steps to inform yourself on the subject matter of the decision to the extent you reasonably believe to be appropriate.
- You reasonably believe the decision is in the best interests of the Company.

3. Roles and Responsibilities of the Board of Directors

The Board has the following duties and responsibilities:

3.1. Election and Supervision of Executive Management:

- The Board will have the power to elect or appoint all necessary officers; to fix their compensation; to prescribe their duties; to dismiss any appointee and generally to exercise supervision over the management of the Company.
- The Board will annually elect the Chairman, one or more Deputy to Chairman, and the Secretary.
- The Board will fix compensation for the aforementioned officers of the Company, upon the recommendation of the Nomination and Remuneration Committee, at the same meeting during which they were elected.

3.2. Identification and Management of Principle Risks:

- The Board will identify and review with management the principal business risks faced by the Company.
- The Board will ensure the implementation of appropriate systems and take the necessary measures to manage these risks.
- The Board may delegate one or more committees to receive Management's assessment and responses to these risks and make recommendations and reports to the Board.

3.3. Adoption of a Strategic Planning Process:

- Each fiscal year the Board will meet with Management regarding the strategic planning for the Company in which future trends, opportunities and risks are jointly identified.
- The Board will review and approve the overall business strategy for the Company, which is developed by Management.

3.4. Evaluation and Approval of Financial Decisions:

- The Board will review the financial and operating results of the Company.
- The Board will review, evaluate and approve major resource allocations and capital investments.
- The Board will review, evaluate and approve the Company's budget and forecasts.

3.5. Development of Corporate Governance Guidelines:

- The Board will develop the Company's overall approach to corporate governance.
- Review periodically the Company's corporate objectives and policies relating to social responsibility.

3.6. Executive Management Evaluation and Succession

- The Board will conduct an annual review of the CEO's performance in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.
- The Board should create an annual report on succession planning. Upon the recommendation of the Nomination and Remuneration Committee, the entire Board will nominate and evaluate potential successors to the CEO. The CEO should at all times make available his recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

4. Role of the Chairman

It is the Chairman's responsibility to lead the Board and facilitate constructive contributions by all directors to ensure the Board functions effectively as a whole in discharging its responsibilities.

One of the core competencies of the Chairman is ensuring that the Board meetings are efficient and effective. This is facilitated by:

- An appropriate meeting agenda which allocates sufficient time for each agenda item.
- Competent management of the information flows to the Board to support agenda items.
- Managing Board room discussions and ensuring conclusions/decisions are reached, are clearly understood by all directors and are appropriately recorded.

Other responsibilities of the Chairman include being the spokesman for the Board which entails showing leadership in difficult situations. The Chairman will, at some instances, be called upon to speak publicly on behalf of the Company even though this role should fall principally on the CEO.

In addition, the Chairman is the key link between Management and the Board. The relationship between the CEO and the Chairman is vital and, if it is to be effective, it must be based on co-operation, trust and mutual respect.

The CEO should be encouraged to use the Chairman as a sounding Board to discuss sensitive issues or matters of concern. If the working relationship is a good one, the CEO will also seek the benefit of the Chairman's experience and where the Chairman is an independent, non executive director, his more independent and objective view. In discussing issues with the CEO, the Chairman may determine that certain issues require elevation for discussion at a Board level.

The Chairman will also be required to manage the annual general meeting and have a key role in the Company's relationship with any institutional investors.

5. Role of the CEO

The CEO is accountable to the Chairman and Board of Directors for the effective and efficient operation of the Company and for conformity with its Bylaws and Articles of Incorporation as well as with policies agreed upon by the Board. The Key elements of the CEO's position are:

- Develops and documents the Company's strategic direction. The Board will be constructively engaged in this process and be responsible for the review and approval of the plan.
- Informs the Board of market, technology, and regulatory issues and trends that may impact the Company's goals.

- Brings the Company to high and sustained standards of performance.
- Creates a work environment that attracts and retains talented people.
- Ensures that the Company deals with fairness, transparency and integrity.
- Provides any signatures required by law (such as certification of financials).
- With Board guidance, articulates the Company's position on important matters to the community, government, and regulatory agencies.
- Builds a positive image of the Company.
- Communicates regularly and effectively with all stakeholders.
- Develops for Board review and approval an annual operating plan and financial budget, and is held accountable for achieving these.
- Establishes strong working relationships with the Board of Directors.
- Staffs, trains and develops employees to meet the Company's short and long-term goals.
- Ensures that there is clarity of objectives and focus for all employees.
- Ensures that there are clear and appropriate standards of performance, and measurement of those standards.
- Develops and implements processes which will ensure the achievement of the Company's operational mission on time and within budget.
- Advises the Board about operational issues, and puts in place appropriate operational plans.

6. Role of Management

The responsibilities of management are to:

- Recommend the strategic direction and translate the strategic plan into the operations of the business.
- Manage the Company's human, physical and financial resources to achieve the Company's objectives.
- Assume day to day responsibility for the Company's conformance with relevant laws and regulations and its compliance framework.
- Develop, implement and manage the Company's risk management and internal control frameworks.
- Develop, implement and update policies and procedures.
- Be alert to relevant trends in the industry and the Company's operating environment.
- Provide information to the Board.
- Act as a conduit between the Board and the Company.

7. Relationship between Management and the Board

The relationship between Management and the Board is critical and must be supported by a clear segregation of responsibilities. Management must:

- Be accountable.
- Operate within delegated authorities.
- Have an appropriate level of skills and resources.
- Perform against the established KPIs to deliver the objectives of the Company.

But at all times, the Board must be in control.

8. Delegation of Authority

As the Board is ultimately responsible for all the actions and decisions made by the Company, it must set in place specific policies to guide organizational behaviour, for example, codes of conduct, risk management policies and remuneration policies. In achieving the aims of these policies, the Board needs to establish procedures and controls to implement the policies and be responsible for the assessment of efficiency and effectiveness of the policies and procedures. However, it is important to remember that such broad based policy development does not cross into Management's role in the day-to-day running of the business. To ensure that the line of responsibility between Board and Management is clearly delineated, the Board must develop policies in relation to delegations of authority.

In strict terms, the authority to enter into commitments or to take action on behalf of the Company vests in the Board. However, this is not consistent with the notion of an empowered responsible Management team and does not recognize the practicalities – it is clearly not possible and not appropriate for the Board to sign every cheque or approve every transaction. Delegations of authority are the mechanism to devolve the power to do these things to the CEO and to other senior personnel within the Company. However, the Board must recognize that delegating its authority does not allow it to abrogate the associated responsibility. To be effective, the instrument that gives effect to the delegations of authority must:

- Be written in simple language.
- Cover the range of activities in which the Company is engaged or expected to participate.
- Be appropriate to facilitate the smooth and efficient operation of the Company.
- Be targeted to appropriately empower management to make the operational decisions expected of them.
- Clearly state the maximum authority levels for each level of management for budgeted and unbudgeted expenditure.
- Be communicated to all personnel to ensure all staff are aware of their responsibilities.
- Be backed up by appropriate oversight, supervision and review to ensure the delegations are appropriate, up to date and are being complied with.
- Be reviewed on a regular basis to ensure the delegations continue to be appropriate.
- Be limited upon certain expiry date (for example after each one or two years a renewal request of delegation should be submitted)

The Board may clarify their responsibilities and those of management through a statement of matters reserved for the Board or a similar document. The role of the Board is to carry out the tasks it has reserved for itself and oversee management's performance of the tasks delegated to them. The statement of matters reserved for the Board and/or a statement of delegations of authority to Management could be made publicly available.

9. Delegation of Authority Documents

As with any policy, the nature and structure of the delegations will vary from Company to Company. What may be material to one Company, and require Board approval, may only require divisional approval in another Company. It is also important that the policy fits the agreed risk appetite of the Board. Typically delegations will be expressed in both monetary and other terms and will cover authority to:

- Enter into strategic commitments.
- Incur costs associated with core business processes and the ordinary operations of the Company.
- Commit the Company to capital expenditure.

- Enter into contractual commitments, for example, leases and guarantees.
- Commit to the payment of bonuses.
- Make decisions on staffing matters including appointments, terminations, remuneration, promotions, bonuses, training and the use of contractors and temporary staff.
- Commence or conclude litigation.
- Undertake specific treasury related transactions.
- Authorize payments.

10. Composition and Organization of the Board

Effective Boards work together in the interests of the shareholders. An effective Board is not dominated by one member or factional group and it does not require members to be experts in all fields. An effective Board does not just happen. It requires care, effort, thought and analysis to identify and select the right team of people to help the Company with its current challenges and opportunities, to take the Company forward into the future and to work in partnership with executive officers, providing real oversight and value adding guidance.

10.1. Size of the Board

The number of Directors of the Company which shall constitute the whole Board shall not be less than three or more than twelve. The exact number of Directors within such range shall be fixed from time to time by resolution of the Board.

10.2. Selection of Directors

Candidates will be reviewed and recommended to the entire Board for nomination as directors by the Nomination and Remuneration Committee. The Board approves the final choice of candidates for nomination and election by vote of the Shareholders.

Following the Shareholder election of Directors, formal invitations to join the Board will be extended by the Chairman of the Board. The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders.

10.3. Directors Qualifications

Annually, the Board is responsible for reviewing the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board.

10.3.1. Independence of Directors

The purpose of identifying and appointing independent directors is to ensure that the Board includes directors who can effectively exercise their best judgment for the exclusive benefit of the Company, judgment that is not clouded by real or perceived conflicts of interest. In each case where a director is identified as "independent" the Board of directors will affirmatively determine that such director meets the requirements established by the Board and is otherwise free of material relations with the Company's management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. An indicative definition follows:

As per CMA "Independent Director" is a member of the Board of Directors who enjoys complete independence. By way of example, the following shall constitute an infringement of such independence:

- he/she holds a controlling interest in the Company or in any other Company within that Company's group.
- he/she, during the preceding two years, has been a senior executive of the Company or of any other Company within that Company's group.

- he/she is a first-degree relative of any Board member of the Company or of any other Company within that Company's group.
- he/she is first-degree relative of any of senior executives of the Company or of any other Company within that Company's group.
- he/she is a Board member of any Company within the group of the Company which he is nominated to be a member of its Board.
- If he/she, during the preceding two years, has been an employee with an affiliate of the Company or an affiliate of any Company of its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, had a controlling interest in any such party.

10.3.2. Directors Attributes

It is increasingly important that the directors and particularly those serving on the Audit and Risk Committee have an appropriate knowledge and understanding of financial statements and other financial reports. Beyond this, it is beholden on the incumbent directors to consider the skills of the current Board and to identify any additional skills or experience that are required. Typically the Board may have a mix of directors with skills in:

- Law.
- Finance, including accounting expertise.
- Marketing.
- Operations relevant to the Company's activities.
- Key industries in which the Company operates.
- Corporate Governance.
- Human Resources.
- Risk Management.
- Banking.

Bellow is a description of attributes that the Board should evaluate when considering candidates for nomination as Directors. The Board will review such characteristics at least annually and make any appropriate changes.

10.3.3. Personal Characteristics

- Integrity and Accountability: High ethical standards, integrity and strength of character in his or her personal and professional dealings and a willingness to act on and be accountable for his or her decisions.
- Informed Judgment: Demonstrate intelligence, wisdom and thoughtfulness in decision-making. Demonstrate a willingness to thoroughly discuss issues, ask questions, and express reservations and voice dissent.
- Financial Literacy: ability to read and understand balance sheets, income and cash flow statements. Understand financial ratios and other indices for evaluating Company performance.
- Mature Confidence: Assertive, responsible and supportive in dealing with others. Respect for others, openness to others' opinions and the willingness to listen.
- High Standards: History of achievements that reflect high standards for himself or herself and others.

10.3.4. Core Competencies

- Accounting and Finance: Experience in financial accounting and corporate finance, especially with respect to trends in debt and equity markets. Familiarity with internal financial controls.
- Risk Management: Experience in assessing and controlling risks in the areas in which the Company conducts its business.
- Business Judgment: Record of making good business decisions and evidence that duties as a Director will be discharged in good faith and in a manner that is in the best interests of the Company.
- Management: Experience in corporate management. Understand management trends in general and in the areas in which the Company conducts its business.

- Crisis Response: Ability and time to perform during periods of both short-term and prolonged crisis.
- Industry/Technology: Unique experience and skills in an area in which the Company conducts its business, including science, manufacturing and technology relevant to the Company.
- International Markets: Experience in global markets, international issues and foreign business practices.
- Leadership: Understand and possess skills and have a history of motivating high-performing, talented managers.
- Strategy and Vision: Skills and capacity to provide strategic insight and direction by encouraging innovations, conceptualizing key trends, evaluating strategic decisions, and challenging the Company to sharpen its vision.

10.3.5. Commitment to the Company

- Time and Effort: Willing to commit the time and energy necessary to satisfy the requirements of Board and Board Committee membership. Expected to attend and participate in all Board meetings and Board Committee meetings in which they are a member. A willingness to rigorously prepare prior to each meeting and actively participate in the meeting. Willingness to make himself or herself available to management upon request to provide advice and counsel.
- Awareness and Ongoing Education: Possess, or be willing to develop, a broad knowledge of both critical issues affecting the Company (including industry-, technology- and market-specific information), and director's roles and responsibilities (including the general legal principles that guide Board members).
- Other Commitments: In light of other existing commitments, ability to perform adequately as a Director, including preparation for and attendance at Board meetings and a willingness to do so.

10.3.6. Team and Company Considerations

- Balancing the Board: Contributes talent, skills and experience that the Board needs as a team to supplement existing resources and provide talent for future needs.
- Diversity: Contributes to the Board in a way that can enhance perspective and experiences through diversity in gender, ethnic background, geographic origin, and professional experience (public, private, and non-profit sectors). Nomination of a candidate should not be based solely on these factors.
- Independence: Provides an objective point of view that is free of political complications. Is not and has not been an employee of the Company; has no immediate family members that are or have been employees of the Company; has not received from or provided significant compensation to the Company in the recent past; and does not have immediate family members who have received from or provided significant compensation to the Company in the recent past.

11. Director Remuneration

The level and composition of remuneration for non-executive directors and executives officers should be sufficient and reasonable to attract and maintain talented individuals to fulfil those roles.

A clear relationship between the Company's performance and executive remuneration also needs to be demonstrated. A remuneration policy should be designed in such a way that it provides an adequate incentive to motivate directors and management to pursue the long-term growth and success of the Company, within an appropriate control framework.

To mitigate reputational and governance risk, it is important that the Company's remuneration policy be understood by all the Company's stakeholders and reflected in the

articles of association. It is also important for the Company to clearly distinguish the structure of non-executive directors' remuneration from that of executives.

11.1. Executive Directors' Remuneration

Executive remuneration packages should involve a balance between fixed and incentive pay. Fixed remuneration reflects the level of responsibility undertaken by the individual and the labour market conditions relative to the scale of the business. Performance-based remuneration, by way of short term and long term incentive plans, can be an effective tool in promoting the interests of the Company and stakeholders, when designed to provide rewards for materially improved Company performance.

Short term incentive plans commonly comprise cash based incentives delivered on an annual basis. Performance is usually assessed against a "scorecard" of financial and non-financial measures at an individual and Company level. Long term incentive plans commonly comprise cash or equity based incentives delivered over a three to five year timeframe. Performance is generally assessed at the Company level against an appropriate peer group of companies, using relative (rather than absolute) measures.

Termination payments should be agreed in advance, including detailed provisions in case of early termination, with a clear articulation of performance expectations. Employment contracts should clearly define the individual's role, and the terms under which the role is accepted, to avoid ambiguity or conflict upon cessation of employment.

11.2. Non-Executive Directors' Remuneration

Non-executive directors are normally remunerated by way of fees. It is considered best practice that non-executive directors do not receive options or bonus payments, participate in schemes designed for the remuneration of executives or be provided with retirement benefits other than statutory superannuation as this could be perceived to impact on their independent status.

12. Meeting of the Board

12.1. Board Meeting Frequency and Schedule

The Board will meet as often as deemed necessary by the Directors in order to fulfil their duties and responsibilities as Directors and as dictated by the needs of the business. It is expected that under normal circumstances Board meetings will be held approximately four times per year, and special meetings will be called as necessary.

A schedule of locations of the regular meetings will be provided to the Directors well in advance. Directors are expected to attend Board meetings and meetings of the committees, if any, on which they serve. Directors should spend the time necessary and meet as frequently as necessary to properly discharge their responsibilities.

12.2. Meeting Duration

The length of Board meetings should be sufficient to give appropriate attention to the issues at hand. Some companies hold fewer, but longer meetings. Board meetings can vary significantly in duration from Company to Company – anything from several hours to two days may be regarded as appropriate. The key is that the meeting should be long enough to cover the matters for attention in appropriate detail.

12.3. Meeting Agenda

The Chairman will establish the agenda for each Board meeting. At the beginning of the year the Chairman will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen).

Each Director is free to suggest the inclusion of items on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. In establishing the meeting agendas, the Chairman should coordinate with the Corporate Officer and CEO to determine which matters require the Board's attention and/or decision. In seeking to have items added to the agenda, management may need to provide written reports or papers.

The agenda may need to allow for relevant presentations to the Board and where appropriate, management attendance to discuss a particular agenda item.

12.4. Managing Boardroom Discussions

The Chairman needs to ensure:

- There is structured and open debate of issues.
- The Chairman facilitates the contributions of all members.
- All issues are given due and appropriate consideration.
- Discussions do not drag on unnecessarily.

The Chairman has to ensure there is balance. He must maintain control without dominating the debate. The Chairman typically allows the discussion of issues to proceed until the point of which a broad consensus has been achieved, or he is able to summarise an agreed-upon conclusion.

Where dissention exists and no conclusions appear to be forthcoming, the Chairman must decide whether:

- The directors require additional information.
- There may be particular benefits in postponing a decision on a specific matter.
- Additional or external advice should be obtained.
- In situations where there are serious disagreements, the Chairman must manage this situation to its resolution.

12.5. Board Material Distribution

A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be provided to the Directors approximately two weeks prior to each Board meeting.

Directors should review these materials in advance of the meeting. Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such meetings.

If a director has queries about any item on the agenda, he should submit these one week prior to the scheduled Board meeting.

Management should respond to queries from Board members before the scheduled Board meeting. Any management response should be distributed to all Board members.

12.6. Directors' Preparation

Preparation involves reading and analyzing the Board papers provided prior to the meeting and taking appropriate steps to clarify any issues or papers that are not clear. Two weeks prior to the Board meeting, directors should receive a package of Board papers to allow them to review and consider them and follow up on any pertinent items. The package received would typically include:

- An agenda and the supporting papers including:
 - > The CEO's operational report – providing an overview of major events impacting the business since the last meeting.
 - > A financial performance report, focusing on KPIs and strategic performance.
 - > Minutes of the previous meeting.

- > An action items list, noting responsible persons and dates for completion.
- > Papers on specific issues for decision, discussion or information.

12.7. Management at Meetings

Management is expected to participate in Board meetings and will make presentations on their relative areas of responsibility to allow Directors to gain additional understanding and insight into the Company's businesses.

12.8. Minutes and Action Items

Minutes are the record of the issues discussed, decisions made and actions arising from the Board and committee meetings. As legal and regulatory requirements of Directors become more onerous, minutes are an important record to show that the Board has done what is required to discharge its duty of care.

Minutes should be clear, concise, well structured and unambiguous. They should not contain superfluous information nor be a verbatim recording of the dialogue at the meeting. The minutes must clearly set out the decisions the Board or committees made during the course of the meeting and reflect the consensus nature of Board decisions.

It may also be useful for them to evidence the process the Board has worked through in reaching its decisions. This may include recording matters discussed, questions asked of management and any additional information requested or on which the Board relied which is not included in the Board papers. There may be circumstances that require the decision of the Board, where it is not practical to bring the Board together. In these circumstances, the use of circulating resolutions for directors to sign may be appropriate.

Minutes will generally be prepared by the Corporate Officer from notes taken during the meeting. A draft will be provided for the Chairman's review within one week of the meeting while discussions and decisions are still fresh in his mind. The Chairman will review the draft minutes and arrange for any appropriate amendments to be made.

A revised draft of the minutes is then usually circulated to all directors. This should be as soon as immediately after the Chairman's review, or at the most within one week of the Chairman signing them. Directors must make a careful review of the draft minutes to ensure they are happy with the record made and that any concerns they may have are raised before the minutes are approved.

13. Board Committees

Committees allow Directors to give closer attention to important issues facing the Company than is possible for the full Board in a scheduled Board meeting. Committees are an effective way to distribute the work between the directors and allow more detailed consideration of specific matters.

13.1. Committee Effectiveness

Regardless of the role of the committees, there are several steps the Board can take to contribute to its effectiveness, including:

- Developing a formal, documented charter for each committee.
- Appointing an appropriate Chairman – usually an independent, non executive director.
- Appointing appropriate Directors to the committee – typically the emphasis is on committee membership that is primarily/exclusively non-executive Directors and includes those Directors with the expertise most relevant to dealing with the issues at hand.
- Requiring regular feedback from committees to the Board.

- Ensuring the committee has appropriate access to independent professional advice.
- Requiring absolute transparency on committee activities.
- Ensuring the committee has appropriate administrative support.

The key issue is that any committees set up serve the Board's needs and are effective. Committees should not be established simply because a Board feels good governance requires it to have a number of committees.

13.2. Board Papers

There is no single approach to be applied to the preparation, form, style and content of Board papers. The requirements will vary from Company to Company and should be specific to the needs of the Board. However, there are a number of principles that are applicable to all companies to ensure the preparation of Board papers is efficient and the information is presented in an effective way so that it can be readily understood and addressed by the Board.

Board papers should be concise stand alone documents that present the information the Board will require to fully understand the issues being raised and, where required, to make an appropriately informed decision. It is unlikely that Management papers can simply be "recycled" as Board papers. The information needs are quite different. Management papers may provide the basis for a Board paper, but the Board paper itself should be prepared with the Board's needs in mind, recognizing that non-executive Directors do not live with the business every day.

The purpose of each Board paper should be clearly stated. This is particularly important in assisting Directors to understand Management's requirements and to be appropriately prepared for Board meetings. This can be achieved by allocating each Board paper into one of three distinct categories:

- For information purposes – papers aimed at keeping the Board informed of matters, for example, relevant press clippings, financial information.
- For decision – matters put forward that require the Board's decision.
- For discussion and input – discussion of matters prior to final recommendations, for example, concept papers seeking the Board's input in the planning phase, rather than simply when a final decision is required.

13.2.1. Board Papers Guidelines

Formal guidelines for Board reporting, approved by the Board, are a simple means to ensure the Board's requirements are clearly understood. These guidelines will set out the form, presentation and content requirements for Board papers, together with administrative procedures in relation to time of submission and the process for review and approval.

The guidelines should also provide that the control over distribution of Board papers rests with the Board. This is particularly important when distribution is undertaken electronically.

The Board should ensure that these guidelines are communicated to all staff who may be responsible for the preparation of Board papers. It may also be appropriate to offer internal support to key personnel in the form of education or briefing programs and to distribute sample or template documents illustrative of the recommended style.

It is important that what is ultimately presented to the Board is concise and performance reports reflect relevant and approved KPIs and not superfluous information.

Presentation that contributes to the ease with which the information is understood and absorbed by the reader, is an important aspect of an effective Board paper. Presentation specifications might include requirements for:

- Papers to be concise, accurate and easy to read, using simple terms, with little or no technical jargon and a font size no less than 10pt.

- Papers to be carefully structured to provide all the required information in a succinct and logical manner.
- Bullet points, which reinforce a concise writing style, to be used in preference to long paragraphs.
- Using indicators tailored to the needs of the Company which are reported consistently month on month.
- Papers to include graphical and tabular analysis to summarize information, to facilitate understanding and to focus the reader's attention.
- Titles on any graphs to reflect the message illustrated in the graphical analysis.

14. Administrative Matters

14.1. Performance and Evaluation of the Board

The Board of Directors will conduct an annual evaluation to determine whether it and its committees are functioning effectively. The Board will receive comments from all Directors and complete an annual assessment of the Board's performance which will be discussed following the end of each fiscal year.

The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

To assess its effectiveness, the Board should periodically (for example, annually) review what it has accomplished and whether it has fulfilled its responsibilities.

One way the Board can assess its self is by evaluating its activities against its charter. As the Board is reviewing itself as a whole, an exercise supervised by an outside facilitator is likely to be beneficial. They will not only be emotionally detached, but will approach the matter without bias or preconceptions. In addition, an outside view allows for different views to be discussed and considered. (Performance assessment templates are provided in the Appendix to this framework).

14.2. Board Confidentiality

Directors will maintain the absolute confidentiality of the deliberations and decisions of the Board of Directors and information received at meetings, except as may be specified by the Chairman or if the information is publicly disclosed by the Company.

14.3. Board Interaction with Third Parties

Except where directed by the CEO or the Chief Financial Officer of the Company, communications on behalf of the Company with third parties must be made only by specifically designated representatives of the Company. If a Director receives any inquiry relating to the Company from third parties, including informal social contacts, he or she should decline to comment and ask them to call the Company's CEO.

14.4. Boardroom Conduct

The manner in which a Board operates will largely be determined by the Chairman and will reflect his or her personal style. Some Boardrooms are still particularly formal and all Directors wishing to participate in a discussion must first be recognized/ acknowledged by the Chairman. However, there is a clear move towards a more informal approach where Directors are free to participate in discussions without first seeking the Chairman's permission.

Your participation in any Boardroom discussion must reflect the importance of your role and the usual social niceties:

- Each of your fellow Directors should be allowed an appropriate opportunity to speak, subject to the Chairman's overall control of the meeting.
- Your contributions should be concise, considered, informed and to the point.

- Emotive language, emotional conduct and personal attacks are inappropriate no matter how passionate you may be about the subject under discussion.

Discussion should be open and candid with appropriate time allowed to discuss issues of substance.

14.4.1. Decision Making

The traditional notion of the Board voting on each matter put to them is rarely used in Boardrooms today. The emphasis is on consensus decision making, which focuses on securing the agreement of the full Board. If you strongly disagree with a decision under this model, you may take the significant step of seeking to have your objection to the decision recorded in the minutes but this should not be viewed as a practice to be used, other than as a last resort.

In the same way, it is no longer necessary, unless specifically required by the Chairman, to have matters “moved” and “seconded” before a decision is made.

14.4.2. Managing a Potential Conflict of Interest

Subject to the provisions of legislation, the Company's own constitution and any other governing requirements that may be relevant, a Board is empowered to regulate its meetings and proceedings including the processes that will apply if there is a declared, actual or perceived conflict of interest. Conflicts of interest can arise where Directors have personal interests in any transactions, contracts or businesses with which the Company may be dealing and, which may impinge on his or her objectivity and independence. As a Director, you have specific responsibilities under Company Law and Corporate Governance regulations to declare any material personal interests in any matters that relate to the affairs of the Company as soon as possible, subject to a number of specific statutory exceptions.

It is usual that you will be asked, on a periodic basis, to provide the Company with a listing of your personal interests to facilitate the identification of possible conflicts of interest. Whether this is undertaken or not and whether your interests are material or not, you have an ongoing responsibility to ensure you fully understand the Board's expectations of your conduct in relation to conflicts of interest. As a minimum, it is likely that you will be required to:

- Alert the Company to any matters in which you have or may be perceived to have a conflict of interest.
- Exclude yourself from the decisions on any matter about which you have or have declared such a conflict.

As per CMA rule “A Board member shall not, without a prior authorization from the General Assembly, to be renewed each year, have any interest (whether directly or indirectly) in the Company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a Board member is the best bidder”.

14.4.3. Other Matters of Conduct

Directors must ensure that, at all times,

- You exercise independent judgment.
- Obtain enough information for you to be satisfied with the Board's conclusions on the matters put before you.
- Keep confidential any information you obtain as a result of your position as a Director observe “cabinet solidarity”.
- Once a decision is reached recognize that your actions may reflect on the Company and your conduct must not be called into question.
- Adhere to all codes of ethics, codes of conduct and standards of behaviour that apply to employees or officers of the Company.

15. Code of Conduct and Business Ethics

A code of conduct is a formal expression of the Company's values and ethics. A code of conduct should:

- Guide Directors, senior executives and other members of staff as to the practices necessary to maintain confidence in the Company's integrity.
- Promote responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Ensure compliance with legal and other obligations to legitimate stakeholders.

The Company has adopted a Code of Conduct and ethics setting out required standards of behaviour, for the benefit of all Shareholders. (a copy of the code is included in this framework)

16. Director Orientation and Education

Management will provide new Directors with an initial orientation in order to familiarize them with their responsibilities as Directors and with the Company and its strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its executive officers, and its independent auditors.

In order to facilitate the Directors' fulfilment of their responsibilities regarding continuing education and to enhance each Director's knowledge of the Company, the Company's business operations and the latest developments in corporate governance, it is appropriate for management to provide Directors with the following:

- Material that contains information pertaining to the Company's industry and comparisons of the Company with its major competitors.
- Periodic visits to operating units, locations, normally as part of regularly scheduled Board meetings.
- A legal review for the Board, at least annually, of the status of major litigation and corporate governance matters.

17. Outside Advisers

The Board has the power to engage experts or advisors, including independent legal counsel, as deemed appropriate by the Board, without consulting or obtaining the approval of any executive officer of the Company.

The Company will provide for appropriate funding, as determined by the Board, for payment of compensation to any such counsel, experts or advisors retained by the Board.

18. Conducting the Annual General Meeting (AGM)

The Board's principal responsibility is to the shareholders of the Company. The Annual General Meeting (AGM) provides the forum for the Board to meet with the shareholders to discuss the performance of the Company and attend to a range of matters for which the specific approval of the shareholders is required. It is the shareholders who provide capital, so

it is important that they have this forum to discuss Company performance and related matters.

18.1. Preparing for the AGM

One of the key elements to a successfully run AGM is the time spent in preparation. Careful preparation is required to get the right messages across, particularly in potentially difficult situations.

You should define and address the corporate objectives for the meeting. What is it that the shareholders need to know? What do you want the meeting to achieve? Your objective may be something as simple as conveying a clear vision for the Company that any shareholder would be able to repeat in one sentence or providing a non-technical explanation of the Company's performance so each shareholder understands the factors reflected in the year's operating results.

The Chairman's address should identify the successes and make concessions where appropriate. The CEO is also likely to address the AGM and to offer some comment on the financial and operating performance of the Company since the last AGM. Discussions should represent a balanced account of the Company's performance and not gloss over problems. The CEO and Chairman should ensure that their speeches are coordinated, consistent and do not unnecessarily overlap each other.

Pre-empting the likely questions and developing appropriate responses in advance is an effective approach to ensure the Board and particularly the Chairman, will be able to respond in an informed manner to any shareholder questions.

The Board should ensure it is fully briefed by management on any shareholder issues that may have been raised since the last AGM and those they are firmly across the details of any major issues affecting or likely to affect the Company. In addition, you should ensure that any shareholder issues raised at the last AGM have been appropriately addressed.

Each director standing for election or re-election should consider how they plan to introduce themselves, what they want the shareholders to know about their skills and competencies and their capacity to contribute to the Company in the future. For each director standing for election, a CV will be given to every shareholder in advance to get acquainted with the director's qualifications standing for election.

Being prepared for any eventualities is vital to a successful AGM. It may be appropriate to rehearse presentations and the answers to questions to ensure the Board shows itself to be capable and competent in what can be quite stressful circumstances. You should also ensure you are fully briefed on the format and conduct of the meeting, the key strategies to facilitate the smooth running of the AGM and when and on what you may personally be required to speak.

It is a legal requirement for the external auditor to attend the AGM to respond to any questions raised by the shareholders regarding the conduct of the audit, or the preparation and content of the audit report. The Chairman of the Company should allow a reasonable opportunity for members to ask the auditor questions concerning the conduct of the audit of the preparation and content of the audit report.

The Board of directors shall, at least sixty days prior to the date set for the holding of the annual general meeting, prepare for every financial year of the Company a balance sheet, a profit and loss statement, and a report on the Company's operations and financial position and on the method which it proposes for the distribution of net profits. The said documents shall be signed by the chairman of the Board of directors, and copies thereof shall be placed at the disposal of shareholders at the head office of the Company at least twenty-five days prior to the date set for such general meeting. The chairman of the Board of directors must publish, in a newspaper distributed in the locality, in a newspaper distributed in the locality of the head office of the Company, the balance sheet, the profit and loss statement, a comprehensive

summary of the Board of directors report, and the full text of the auditor's report, and must send a copy- of each of these documents to the General Administration for Companies at least twenty-five days prior to the date set for the general meeting.

Prior to the AGM, a notice of meeting will be sent to all shareholders (as per Company law notices of AGMs shall be published in the Official Gazette and in a daily newspaper distributed in the locality of the head office of the Company, at least twenty- five days prior to the date set for the meeting. Nevertheless, if all the stock of the Company is registered (nominative), a notice sent by registered mail at least twenty- five days before the date of the meeting shall suffice. The notice shall contain an agenda (of the meeting). A copy of both the notice and the agenda shall be sent to the General Administration for Companies at the Ministry of Commerce within the period specified for publication). The notice should disclose all logistical matters the shareholder will need to know, the matters on which shareholders are being asked to vote and details of proxy arrangements. Procedures and relevant checklists should be in place to ensure that the Company's constitution, the requirements of the Company Law and other relevant requirements regarding AGMs are complied with. Appropriate arrangements need to be put in place to ensure the formalities are addressed for all resolutions passed and arrangements exist for a poll to be conducted if required. A running sheet/agenda for the meeting is useful to ensure, as far as possible, the meeting tracks to a predetermined schedule.

18.2. Post AGM Arrangements

After the meeting, there will be a number of tasks to be completed. The Corporate Officer will need to prepare minutes of the meeting, ensuring they are an appropriate and comprehensive reflection of the content of any discussion. The minutes should set out the results of voting, including proxy numbers. Any items taken on notice at the AGM will need to be addressed and commitments made need to be honoured (for example, investigating a particular issue as a result of a shareholder's question). Shareholders' may wish to receive a copy of the record of the meeting and this should be arranged by the Corporate Officer as part of his responsibilities. Copies should be made available within two weeks after the AGM and any further delay should be justified and disclosed to shareholders (i.e. attainment of governmental approval). AGM copies should be identical to the original minutes without no alteration, summarization, or any restrictions of information.

Any other post AGM obligations on the Company should also be addressed. The Board and management may also find it useful to have a de-brief session to discuss what went well, what did not and what can be improved in the future. This kind of discussion will assist in planning for the next AGM.

19. The Corporate Officer

A Corporate Officer is the chief administrative officer of the Company, responsible along with the directors, for certain tasks. The key responsibility for the Corporate Officer is to ensure that the Board has the proper advice and resources for discharging its fiduciary duty, and to ensure that the records of the Board's actions reflect that the Board has done so. In addition, the Corporate Officer helps to ensure that the governing bodies adhere to all relevant regulatory requirements. Accordingly, the Corporate Officer often acts as an adviser to directors and senior executives on regulatory requirements, listing rules, and legislation related to corporate governance. Providing advice on corporate governance issues is an increasingly important role for corporate officers. They ought to be quite vocal in encouraging Boards to perform frequent corporate governance reviews and to issue written statements of corporate governance principles. The Corporate Officer is usually the executive to assist directors in these efforts, providing information on the practices of other companies, and helping the Board to tailor corporate governance principles and practices to fit the Board's needs and expectations of investors.

19.1. Roles and Responsibilities of the Corporate Officer

To fulfil his responsibilities and duties, as the chief administrative officer of the Company, the Corporate Officer shall:

19.1.1. With respect to supporting the Board of Directors

Most of the Corporate Officer's time will be spent supporting the Board of Directors. His duties in this area include:

19.1.1.1. Organizing Board Meetings

The Corporate Officer is responsible for organizing Board meetings. Although Board meetings are ultimately the responsibility of the Chairman, the Corporate Officer handles all administrative and organizational matters such as:

- Prepare Board calendar of meetings.
- Helping the Chairman to prepare the agenda.
- Developing presentations on substantive and procedural issues under discussion.
- Preparing model briefs for Boardroom discussions.
- The Corporate Officer should give advance notice of Board meetings to all directors and:
- Distribute voting ballots to directors.
- Collect completed the written opinions of directors who are not physically present at the meeting.
- Forward the written opinions to the Chairman.

In addition, the Corporate Officer should help ensure that procedures for Board meetings are followed. Along with the Chairman, the Corporate Officer is required to draft the minutes of Board meetings. The Corporate Officer should also brief newly elected directors on:

- The corporate procedures that regulate the operations of the Board.
- The organizational structure and officers of the Company.
- The Company's internal documents.
- The decisions of the Annual General Meeting (AGM) and the Board that are in effect.
- The availability of information required by directors for the proper discharge of their duties.

19.1.1.2. Providing the Board with Access to Information

The Corporate Officer plays a key role in assisting directors in obtaining the information they need for sound decision-making. The Corporate Officer provides directors with timely and full access to:

- The minutes of Board meetings.
- Decisions approved by the CEO.
- Documents from the CEO.
- The minutes of meetings and reports prepared by the External Auditor.
- Financial documents.

19.1.1.3. Providing Legal Assistance to Directors on Governance Issues

The Corporate Officer should assist directors with interpreting legal and regulatory acts related to corporate governance, including listing rules, corporate governance codes, and international regulations and developments. This also holds true for procedural issues regulated in the charter, by-laws, and/or other internal documents relating to preparing and conducting the AGM and Board meetings, and on information disclosure. The Corporate Officer should not, however, render legal advice that falls outside the scope of his duties.

The Corporate Officer should directly notify the Chairman of any possible violations of corporate procedures, if and when he becomes aware of such violations. Such violations may include, among others:

- Alleged illegal acts or omissions of corporate officers or other corporate employees in fulfilling their legal duties and obligations.

- Violations of procedures regulating the organization of the AGM, Board meetings, the disclosure of information and protection of shareholder rights.

19.1.2. With Respect to Developing Corporate Governance Policies and Procedures

The Corporate Officer is ideally suited to help the Company and its Board develop a system of corporate governance. More specifically, the Corporate Officer can play an important role in the development of, compliance with, and periodic review of the Company's governance policies and practices. In developing an explicit and clearly stated plan to improve the Company's corporate governance policies and practices, the Corporate Officer lays the groundwork for reforms in this area. Perhaps more importantly, he can demonstrate the Company's commitment to corporate governance by monitoring compliance with these policies, and informing the Board of any breaches. Finally, by reviewing the Company's policies on a regular basis (by keeping abreast of the latest developments in corporate governance, changes in the legal and regulatory framework, and international best practices) the Corporate Officer ensures that the Company's governance standards remain high and up-to-date.

19.1.3. With Respect to Protecting Shareholders Rights

19.1.3.1. Organizing the Annual General Meeting (AGM)

The Corporate Officer plays an important role in organizing the AGM. Some of functions that he performs in this regard are:

- Notifies shareholders of the AGM.
- Ensures that the list of shareholders of record is prepared.
- Answers procedural questions during the AGM and resolves disputes related to preparing and conducting the AGM.
- Communicates the report on the results of the AGM to shareholders.
- Ensures that minutes on the voting results and the AGM minutes are kept.
- Ensures compliance with the procedures of registration for the AGM.
- Collects voting ballots and transfers them to the counting commission.
- Distributes materials (documents) for and during the AGM.

19.1.3.2. Assisting in Enforcing Shareholder Rights

The Corporate Officer:

- Ensures that the Company takes proper notice of all duly submitted shareholder petitions.
- Channels all duly submitted shareholder inquiries to the appropriate governing bodies and departments of the Company.

19.1.3.3. Liaising Between Shareholders during Control Transactions

The Corporate Officer acts as a liaison between the controlling shareholder(s) in a buyout of common shares and the other shareholders of the Company during a control transaction. The Corporate Officer does this by ensuring that the mandatory offer is distributed to all shareholders.

19.1.4. With Regard to Providing for Information Disclosure and Transparency

The Corporate Officer plays an important role in helping the Board and CEO fulfil their respective obligations to disclose material information on a timely basis to the Company's shareholders and financial markets. The Corporate Officer's roles in relation to information disclosure include:

- Ensures that the Company operates in compliance with procedures for the maintenance and disclosure of information about the Company.
- Guarantees the safekeeping of corporate documentation.
- Certifies copies of documents before they are given to shareholders.
- Ensures unrestricted access for all shareholders to information in accordance with the all relevant laws.

19.2. The Qualifications of a Corporate Officer

A full-time staff member, exclusively dedicated to this task, can best fulfil the functions of the Corporate Officer. When selecting a Corporate Officer, the Board should look for an individual with the highest qualifications and skills. The Board will need to assess the candidate's education, work experience, professional qualities, and skills. A detailed job description is the responsibility of the Board, and needs to be developed in conjunction with the contract. The core qualifications for corporate officers are:

- Have presence and good communication skills.
- Understands corporate and securities law.
- Mediates and achieves consensus.
- Understands the Company's business.
- Is detail-oriented, flexible and creative.
- Knows how to overcome bureaucratic thinking in the Company.
- Reads signals on the horizon and provides early warning to management.
- Is intuitive and sensitive to what the Chairman and directors are thinking.

19.3. The Independence of the Corporate Officer

To act in the interests of the Company and its shareholders at all times, the Corporate Officer must be shielded from undue influence from management and other parties. The Corporate Officer should thus be accountable to and controlled by the Board. He should not be an affiliated person of the Company or its officers, e.g. a family member of the CEO or business partners of the Company.

Qualifications and skills of the Corporate Officer	The functions of the Corporate Officer in relation to the Board	The functions of the Corporate Officer in relation to the AGM
<ul style="list-style-type: none"> ◦ Understands corporate and securities law ◦ Mediates and achieves consensus ◦ Understands the Company's business ◦ Is detail-oriented, flexible and creative ◦ Knows how to overcome bureaucratic thinking in the Company ◦ Reads signals on the horizon and provides early warning to management ◦ Is intuitive and sensitive to what the Chairman and directors are thinking ◦ Has presence and good communication skills 	<ul style="list-style-type: none"> ◦ Resolves organizational matters for Board meetings ◦ Explains the procedural requirements of laws, the charter and by-laws of the Company within the scope of its authority ◦ Conducts induction trainings for newly elected directors ◦ Assists directors in accessing information and familiarizes them with corporate documentation ◦ Takes the minutes of Board meetings ◦ Ensures compliance with the procedure for conducting meetings ◦ Communicates to and collects voting ballots from directors and collects written opinions of directors ◦ Notifies all directors of Board meetings 	<ul style="list-style-type: none"> ◦ Notifies shareholders of the AGM ◦ Ensures that the list of shareholders of record are prepared ◦ Answers procedural questions during the AGM and resolves disputes related to preparing and conducting the AGM ◦ Communicates the report on the results of the AGM to shareholders ◦ Ensures that minutes on the voting results and the AGM minutes are kept ◦ Ensures compliance with the procedures for the AGM ◦ Collects voting ballots and transfers them to the counting commission ◦ Distributes materials (documents) for and during the AGM ◦ Provides copies of AGM minutes to shareholders as per CMA

Table 2 Functions and qualifications of the Corporate Officer

20. Publication, Review and Revision of the Manual

The Board will from time to time review and revise the Manual in such manner as the Board sees fit. Moreover, The Board shall make the Manual available on the Company's website.

Appendix – Board of Directors Charter

1. Purpose

The Board of Directors of Al-Hokair Fashion Retail is elected by the Company's Shareholders to supervise the management of the business and affairs of the Company. The prime responsibility of Al-Hokair Fashion Retail Board is to ensure the viability of the Company and to ensure that it is managed in the interest of the Shareholders as a whole while taking into account the interests of other stakeholders. The Board sets policy for the Company and advises the CEO and executive officers who manage the Company's business and affairs.

2. Board Responsibilities

The business of the Company is conducted by its employees, managers and executive officers, under the direction of the CEO and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board is elected by shareholders to oversee and counsel management.

The responsibilities of the Board of Directors must be clearly stated in the Company's Articles of Association.

The following functions are the common recurring activities of the Board in carrying out its oversight responsibility. These functions are set forth as a guide with the understanding that the Board may diverge from this guide as appropriate given the circumstances.

- Without prejudice to the competences of the General Assembly, the Company's Board of Directors shall assume all the necessary powers for the Company's management. The ultimate responsibility for the Company rests with the Board even if it sets up committees or delegates some of its powers to a third party. The Board of Directors shall avoid issuing general or indefinite power of attorney.
- The Board of Directors must carry out its duties in a responsible manner, in good faith and with due diligence. Its decisions should be based on sufficient information from the executive management, or from any other reliable source.
- A member of the Board of Directors represents all shareholders; he/she undertakes to carry out whatever may be in the general interest of the Company, but not the interests of the group he/she represents or that which voted in favour of his appointment to the Board of Directors.
- The Board of Directors shall determine the powers to be delegated to the executive management and the procedures for taking any action and the validity of such delegation. It shall also determine matters reserved for decision by the Board of Directors. The executive management shall submit to the Board of Directors periodic reports on the exercise of the delegated powers.
- The Board of Directors shall review, approve and monitor the long-term strategic objectives and business plans of management.
- The Board of Directors shall Review and approve major corporate transactions including significant capital allocations and expenditures.
- The Board of Directors shall assess the major risks facing the Company and the steps taken by management to monitor and control such risks.
- The Board of Directors shall select and recommend director nominees for election by shareholders.
- The Board of Directors shall select, develop and evaluate potential candidates for executive officer positions, including the CEO, and oversee the development of executive officers succession plans.
- The Board of Directors shall determine the compensation of the CEO, approve the compensation of the executive officers, and approve and monitor any incentive-compensation plans and equity-based plans.

- The Board of Directors shall oversee the integrity of Al-Hokair Fashion Retail financial statements, compliance with legal and regulatory requirements, the performance, qualifications and independence of the external auditor, and the performance of Al-Hokair Fashion Retail internal audit function.
- The Board of Directors shall assess the adequacy of Al-Hokair Fashion Retail Code of Business Conduct and Ethics to promote compliance with applicable laws and regulations.
- The Board of Directors shall evaluate the overall performance and effectiveness of the Board and decide on matters of corporate governance.
- The Board of Directors shall ensure that a procedure is laid down for orienting the new Board members of the Company's business and, in particular, the financial and legal aspects, in addition to their training, where necessary.
- The Board of Directors shall ensure that sufficient information about the Company is made available to all members of the Board of Directors, generally, and, in particular, to the non-executive members, to enable them to discharge their duties and responsibilities in an effective manner.
- The Board of Directors shall not be entitled to enter into loans which span more than three years, and shall not sell or mortgage real estate of the Company, or drop the Company's debts, unless it is authorized to do so by the Company's Articles of Association. In the case where the Company's Articles of Association includes no provisions to this respect, the Board should not act without the approval of the General Assembly, unless such acts fall within the normal scope of the Company's business.

3. Directors Qualifications

Directors shall be individuals of high integrity and superior ability who are focused on enhancing long-term shareholder value. Directors should be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time.

Directors may serve on other Boards of public/non-public companies provided they are able to perform responsibly all of their director duties and responsibilities (compliance with Article 12-h of CMA rules should be considered which says "A member of the Board of Directors shall not act as a member of the Board of Directors of more than five joint stock companies at the same time"). The Nomination and Remuneration Committee of the Board shall have the responsibility to identify individuals qualified to become directors and to recommend to the Board the nominees to stand for election as directors at the annual meeting of shareholders.

The Nomination and Remuneration Committee may consider individuals proposed by shareholders and management at its discretion.

The Audit and Risk Committee shall assist the Board in determining on an annual basis the compliance of each director with the Company's code of business conduct and ethics and the independence of each director as may be required under all applicable regulation.

Directors shall not have a limit on the number of terms served or a mandatory retirement age. The tenure of directors will be determined by the Board at its discretion upon the recommendations of The Nomination and Remuneration Committee of the Board.

4. Director Responsibilities

The basic responsibility of the directors of the Board is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that responsibility, directors shall be entitled to rely on the honesty and integrity of the Company's senior executives and their outside advisors and auditors.

The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's organizational documents and any indemnification agreements, and to exculpation as provided the Company's organizational documents.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Information and data that is important to the directors' understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors 2 weeks prior to the meeting, and directors should review these materials in advance of the relevant meeting.

Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities, which would interfere with their ability to carry out their duties and responsibilities effectively on the Board or any of its committees. Employee directors are expected to offer their resignation at the time they retire or resign from the Company.

5. Board Structure and Operations

The Board shall be comprised of seven directors (two independent, three non-executive, and two non-independent or executives). Directors shall be elected by shareholders at the first annual general meeting after their appointment and shall be subject to re-election thereafter at intervals of no more than three years. Directors shall meet the independence and experience requirements to the extent required under all applicable securities laws and stock exchange regulations.

Notwithstanding the foregoing membership requirements, no action of the Board shall be invalid by reason of any such requirement not being met at the time such action is taken.

One of the directors shall serve as the Chairman of the Board. The Chairman of the Board shall be selected by the affirmative vote of the majority of the directors. The Board will meet at such times as shall be determined by its Chairman, or upon the request of the lesser of 20% or any 2 of its directors.

The Board shall meet at least four (4) times a year. The agenda of each meeting will be prepared by the Chairman of the Board and whenever reasonably possible, **circulated to each director 2 weeks prior to the meeting date**. The Chairman will preside, when present, at all meetings of the Board and if not the vice chairman will preside.

A majority of the directors of the Board will constitute a quorum. Each director of the Board will have one vote. In the case that a tie is reached in a voting session, the Chairman shall have a casting vote or if the Chairman is not present, then the deputy Chairman will stand in his stead.

A majority of the directors present at any meeting at which a quorum is present may act on behalf of the Board. The Board will keep a written record of its meetings. The Board may meet by telephone or video conference and may take action by unanimous written consent.

6. Board Committees

The Board has established the following committees to assist the Board in discharging its oversight responsibilities: Audit, Nomination and Remuneration and corporate governance Committees.

Other committees may be established from time to time by an affirmative vote of the majority of the Board. The purpose and responsibilities of each committee are described in their respective committee charter.

Members of the committees will be appointed by the Board upon the recommendation of The Nomination and Remuneration Committee and may be removed by the Board at its discretion. Members of the committees shall meet the independence and experience requirements to the extent required under all applicable securities laws and stock exchange regulations.

No one other than the committee members shall be entitled to be present at a meeting of Board committees, but others may attend at the invitation of the committee.

7. Executive Sessions

Non-executive directors shall meet privately in regular executive sessions without management participation during the year. "Non-executive" directors are all those who are not Company executive officers, including such directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason.

The non-executive directors shall designate one among them as the presiding director to lead the executive sessions. The name of such lead non-executive director should be publicly disclosed to the extent required under any applicable securities laws and stock exchange regulations.

8. Access to Management and Independent Advisors

In discharging its oversight role, the Board is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or consultants, or incur other expenses for this purpose, which expenses the Company, shall pay.

The Board may also meet with the Company's investment bankers or financial analysts who follow the Company. The Board may require any officer or employee of the Company or any of its subsidiaries, the Company's outside legal counsel, and the Company's external auditors to meet with the Board or any committee of the Board.

The Board should use discretion to assure that such contact is not distracting to the business operations of the Company and that any written contact be copied to the CEO.

9. Director Compensation

The Nomination and Remuneration Committee of the Board shall have overall responsibility for the evaluation and approval of the form and amount of director compensation. In discharging this responsibility, The Nomination and Remuneration Committee shall seek to attract, motivate, reward and retain directors of high integrity and superior ability who are focused on enhancing long-term shareholder value.

The Nomination and Remuneration Committee shall avoid director compensation plans, policies or programs that exceed what is customary, that involve substantial charitable contributions by the Company to organizations with which a director is affiliated, or that requires the Company to enter into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

10. Director Orientation and Continuing Education

The Nomination and Remuneration Committee of the Board shall maintain an orientation program for new directors and organize continuing education programs for all directors.

The orientation program for new directors should build an understanding of the nature of the Company, its business and the markets in which it operates, build a link with the Company's people, and build an understanding of the Company's main relationships.

The orientation program shall include briefings by senior management to familiarize new directors with the Company's strategic plans, financial statements, and key policies and practices, and may include visits to the Company's significant facilities.

All directors are encouraged to participate in appropriate continuing education programs at the Company's expense to assist them in carrying out their duties and responsibilities.

11. Management Evaluation and Succession

The Nomination and Remuneration Committee of the Board shall have the direct responsibility to review and approve the corporate goals and objectives relevant to the compensation of the CEO and to evaluate the performance of the CEO in light of those goals and objectives.

The Nomination and Remuneration Committee shall also review and approve the decisions made by the CEO relating to the performance evaluation and annual compensation level of the executive

officers of the Company. The Nomination and Remuneration Committee shall present a management performance evaluation and compensation report to the Board annually.

The Nomination and Remuneration Committee of the Board shall assist the Board in selecting, developing and evaluating potential candidates for executive officer positions, including the CEO, and oversee the development of executive officer succession plans.

The Nomination and Remuneration Committee shall request the recommendations and evaluations of the CEO with regard to potential successors for senior management positions. The Nomination and Remuneration Committee shall present a management succession planning report to the Board annually.

12. Annual Performance Evaluation

To assess its effectiveness, the Board should review what it has accomplished and whether it has fulfilled its responsibilities annually and performed by an external independent party.

One way the Board can assess its self is by evaluating its activities against its charter. As the Board is reviewing itself as a whole, an exercise supervised by an outside facilitator is likely to be beneficial. They will not only be emotionally detached, but will approach the matter without bias or preconceptions. In addition, an outside view allows for different views to be discussed and considered.

At the end of the review process, the Board Chairman usually discusses the results of the evaluation with the Board. (Performance assessment templates are provided in the appendices to this framework).

13. Relations with Shareholders

The Chairman of the Board should maintain sufficient contact with major shareholders to understand their issues and concerns and should ensure that the views of shareholders are communicated to the Board as a whole.

Non-management directors should be offered the opportunity to attend meetings with major shareholders and should expect to attend them if requested by major shareholders. The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. Nothing in this charter should be taken to override the general requirements of law to treat shareholders equally in access to information.