

**BAHRAIN CINEMA COMPANY BSC
CORPORATE GOVERNANCE GUIDELINES**

Introduction

Corporate governance is protecting the interests of a company's many stakeholders such as shareholders, management, customers, suppliers, financiers, government and the community at large.

Corporate governance provides the framework for attaining a company's objectives; it encompasses practically every sphere of management, from action plans and internal control to the measurement of performance and corporate disclosures as required by the Rules of Central Bank of Bahrain.

The Board of directors of Bahrain Cinema Company always ensures that the Company adheres to highest level of Corporate Ethics and effective Governance.

The Board of directors always endeavors to report the financial results with accuracy and transparency.

These guidelines help the management and the Board in discharging their responsibilities towards Governance.

BCC: Corporate Governance Guidelines:

Principle 1

The Board

BCC will ensure that it must be headed by an effective, collegial and informed board.

Role and Responsibilities of the Board

1. All directors must understand the board's role and responsibilities under the Commercial Companies Law or any other laws or regulations that may govern their responsibilities from time-to-time.
2. All directors must understand:
 - (a) The board's role as distinct from the role of the shareholders and the role of officers and
 - (b) The board's fiduciary duties of care and loyalty to the company and the shareholders.
3. The board's role and responsibilities include but are not limited to:
 - (a) The overall business performance and strategy and business plan for the company;
 - (b) Causing financial statements to be prepared which accurately disclose the company's financial position;
 - (c) Monitoring management performance;
 - (d) Convening and preparing the agenda for shareholder meetings;
 - (e) Monitoring conflicts of interest and preventing abusive related party transactions;
 - (f) Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning;
 - (g) Aligning key executive and board remuneration with the longer term interests of the company and its shareholders;
 - (h) Ensuring a formal and trans-group board nomination and election process;

- (i) Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
 - (j) Assuring equitable treatment of shareholders including minority shareholders;
 - (k) Ensuring compliance with the relevant rules and requirements relating to the issuing and offering of securities;
 - (l) The ongoing obligations in respect of the listing requirements, including but not limited to issues relating to disclosure, dissemination of price sensitive information and other communication, and the prevention of market abuse and insider trading;
 - (m) Compliance with the company's founding documentation, including but not limited to its Memorandum and Articles of Association and other relevant by-laws and resolutions;
 - (n) Ensure that any loans provided by the company are approved by the board in accordance with their authority for such items, including the respective limits and other relevant terms; and
 - (o) Providing approval in respect of the relevant fees, charges, subscriptions, commissions and other business and administrative sanctions, where relevant.
4. The directors are responsible both individually and collectively for performing responsibilities mentioned above. Although the board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.
5. The precise functions reserved for the board and those delegated to management and committees will vary, dependent upon the business of the institution, its size and ownership structure. However, as a minimum, the board must establish and maintain a statement of its responsibilities for:
- (a) The adoption and annual review of strategy;
 - (b) The adoption and review of management structure and responsibilities;
 - (c) The adoption and review of the systems and controls framework; and
 - (d) Monitoring the implementation of strategy by management.
6. When a new director is inducted, the chairman of the board, or the company's legal counsel or compliance officer, or other individual delegated by the

chairman of the board, should review the board's role and duties with that person, particularly covering legal and regulatory requirements and Module HC.

7. The company must have a written appointment agreement with each director which recites the directors' powers and duties and other matters relating to his appointment including his term, the time commitment envisaged, the committee assignment if any, his remuneration and expense reimbursement entitlement, and his access to independent professional advice when that is needed.

8. The board is responsible for ensuring that the systems and controls framework, including the board structure and organizational structure of the company, is appropriate for its business and associated risks. The board must ensure that collectively it has sufficient expertise to identify, understand and measure the significant risks to which the company is exposed in its business activities.

9. The board must adopt a formal board charter or other statement specifying matters which are reserved to it, which must include but need not be limited to the specific requirements and responsibilities of directors.

Decision-Making Process

10. The board must be collegial and deliberative, to gain the benefit of each individual director's judgment and experience.

11. The chairman must take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made.

12. The board must meet frequently but in no event less than four times a year. All directors must attend the meetings whenever possible and the directors must maintain informal communication between meetings.

13. The chairman is responsible for the leadership of the board, and for the efficient functioning of the board. The chairman must ensure that all directors receive an agenda, minutes of prior meetings, and adequate background information in writing before each board meeting and when necessary between meetings. All directors must receive the same board information. At the same time, directors have a legal duty to inform themselves and they must ensure that they receive adequate and timely information and must study it carefully.

14. The board should have no more than 15 members, and should regularly review its size and composition to assure that it is small enough for efficient decision-making yet large enough to have members who can contribute from different specialties and viewpoints. The board should recommend changes in board size to the shareholders when a needed change requires amendment of the company's Memorandum of Association.

15. Potential non-Executive Directors should be made aware of their duties before their nomination, particularly as to the time commitment required. The Nominating Committee should regularly review the time commitment required from each non-Executive Director and should require each non-Executive

Director to inform the Committee before he accepts any board appointments to another company. Without prejudice to other HC Volumes in the CBB Rulebook, one person should not hold more than three directorships in public companies in Bahrain with the provision that no conflict of interest may exist (which includes having an interest in companies in the same line of business), and the board should not propose the election or re-election of any director who does.

16. Individual board members must attend at least 75% of all board meetings in a given financial year to enable the board to discharge its responsibilities effectively (see table below). Voting and attendance proxies for board meetings are prohibited at all times.

Meetings per year	75% Attendance requirement
4	3
5	4
6	5
7	5
8	6
9	7
10	8

17. The absence of board members at board and committee meetings must be noted in the meeting minutes. In addition, board attendance percentage must be reported during any general assembly meeting when board members stand for re-election.

18. To meet its obligations, the full board should meet once every quarter to address the board's responsibilities for management oversight and performance monitoring. Furthermore, board rules should require members to step down if they are not actively participating in board meetings. Board members are reminded that non-attendance at board meetings does not absolve them of their responsibilities as directors. It is important that each individual director should allocate adequate time and effort to discharge his responsibilities. All Directors are expected to contribute actively to the work of the board in order to discharge their responsibilities and should make every effort to attend board meetings where major issues are to be discussed. Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings. Participation in board meetings by means of video or telephone conferencing is regarded as attendance and may be recorded as such.

19. In the event that a board member has not attended at least 75% of board meetings in any given financial year, the company must immediately notify the CBB indicating which member has failed to satisfy this requirement, his level of attendance and any mitigating circumstances affecting his non-attendance. The CBB shall then consider the matter and determine whether disciplinary action, including disqualification of that board member pursuant to Article 65 (where

relevant) of the CBB Law, is appropriate. Unless there are exceptional circumstances, it is likely that the CBB will take disciplinary action.

Independence of Judgment

20. Every director must bring independent judgment to bear in decision making. No individual or group of directors must dominate the board's decision-making and no one individual should have unfettered powers of decision.

21. Executive Directors must provide the board with all relevant business and financial information within their cognizance, and must recognize that their role as a director is different from their role as an officer.

22. Non-executive directors must be fully independent of management and must constructively scrutinize and challenge management, including the management performance of executive directors.

23. At least half of a company's board should be non-executive directors and at least three of those persons should be independent directors.

24. The chairman of the board should be an independent director and in any event must not be the same person as the CEO, so that there will be an appropriate balance of power and greater capacity of the board for independent decision-making.

25. The board should review the independence of each director at least annually in light of interests disclosed by them. Each independent director shall provide the board with all necessary and updated information for this purpose.

26. The Chairman and/or Deputy Chairman must not be the same person as the Chief Executive Officer.

27. Where there is the potential for conflict of interest, or there is a need for impartiality, the board must assign a sufficient number of independent board members capable of exercising independent judgment.

28. To facilitate free and open communication among independent directors, each board meeting should be preceded or followed with a session at which only independent directors are present, except as may otherwise be determined by the independent directors themselves.

29. All decisions made by directors must be accurately recorded, including the details of any reservations or objections by any individual or group of directors, for both board meetings as well as any committee formed by the board.

Representation of All Shareholders

30. Each director must consider himself as representing all shareholders and must act accordingly. The board must avoid having representatives of specific groups or interests within its membership and must not allow itself to become a battleground of vested interests. If the company has a controlling shareholder (or a controlling group of shareholders acting in concert), the latter must recognize its or their specific responsibility to the other shareholders, which is direct and is separate from that of the board of directors.

31. In companies with a controlling shareholder, at least one-third of the board must be independent directors. Minority shareholders must generally look to independent directors' diligent regard for their interests, in preference to seeking specific representation on the board.

32. In companies with a controlling shareholder, both controlling and non-controlling shareholders should be aware of controlling shareholders' specific responsibilities regarding their duty of loyalty to the company and conflicts of interest and also of rights that minority shareholders may have to elect specific directors under the Commercial Companies Law or if the company has adopted cumulative voting for directors. The chairman of the board or other individual delegated by the chairman of the board should take the lead in explaining this with the help of company lawyers.

Directors' Access to Independent Advice

33. The board must ensure that individual directors have access to independent legal or other professional advice at the company's expense whenever they judge this necessary to discharge their responsibilities as directors and this must be in accordance with the company's policy approved by the company's board.

34. Individual directors must also have access to the company's corporate secretary, who must have responsibility for reporting to the board on board procedures. Both the appointment and removal of the corporate secretary must be a matter for the board as a whole, not for the CEO or any other officer.

34. Whenever a director has serious concerns which cannot be resolved concerning the running of the company or a proposed action, he should consider seeking independent advice and should ensure that the concerns are recorded in the board minutes and that any dissent from a board action is noted or delivered in writing

35. Upon resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if he has any concerns.

Directors' Communication with Management

36. While management members other than those that are executive directors, are not entitled by right to attend board meetings, the board must encourage participation by management regarding matters the board is considering, and also by management members who by reason of responsibilities or succession, the CEO believes should have exposure to the directors.

37. Non-executive directors should have free access to the company's management beyond that provided in board meetings. Such access should be through the Chairman of the Audit Committee or CEO. The board should make this policy known to management to alleviate any management concerns about a director's authority in this regard.

Committees of the Board

38. The board must create specialized committees when and as such committees are needed. In addition to the Audit, Remuneration and Nominating Committees described elsewhere in Corporate Governance Module, these may include an Executive Committee to review and make recommendations to the whole board on company actions, a Risk Committee, to identify and minimize specific risks, or an Insider or Prohibition of Market Abuse Committee to manage and provide oversight of the trading of directors and general compliance with market regulations, as well as any other committee required by the CBB or other regulations (e.g. TMA Module).

39. The board or a committee may invite non-directors to participate in, but not vote at committee meetings so that the committee may gain the benefit of their advice and expertise in financial or other areas.

40. Committees must act only within their mandates and therefore the board must not allow any committee to dominate or effectively replace the whole board in its decision-making responsibility.

41. Committees may be combined provided that no conflict of interest might arise between the duties of such committees.

42. Every committee must have a formal written charter similar in form to the model charters which are set forth in Appendices A, B and C of Corporate Governance Module for the Audit, Nominating and Remuneration Committees.

43. The board should establish a corporate governance committee of at least three independent members which should be responsible for developing and recommending changes from time-to-time in the company's corporate governance policy framework.

44. The terms of reference, number of meetings and attendance at such meetings should be disclosed in respect of each committee in the annual report of the company.

Evaluation of the Board and Each Committee

45. At least annually the board must conduct an evaluation of its performance and the performance of each committee and each individual director.

46. The evaluation process must include:

- (a) Assessing how the board operates;

- (b) Evaluating the performance of each committee in light of its specific purposes and responsibilities, which shall include review of the self-evaluations undertaken by each committee;
- (c) Reviewing each director's work, his attendance at board and committee meetings, and his constructive involvement in discussions and decision-making; and
- (d) Reviewing the board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the board.

47. While the evaluation is a responsibility of the entire board, it should be organized and assisted by an internal board committee and, when appropriate, with the help of external experts.

48. The board should report to the shareholders, at each annual shareholder meeting, that evaluations have been done.

Directors and Officers Loyalty

Principle 2

49. The directors and officers must have full loyalty to the company.

Personal Accountability

50. Each member of the board must understand that under the Commercial Companies Law he is personally accountable to the company and the shareholders if he violates his legal duty of loyalty to the company, and that he can be personally sued by the company or the shareholders for such violations.

51. The duty of loyalty includes a duty not to use property of the company for his personal needs as though it was his own property, not to disclose confidential information of the company or use it for his personal profit, not to take business opportunities of the company for himself, not to compete in business with the company, and to serve the company's interest in any transactions with the company in which he has a personal interest.

52. A director or officer should be considered to have a "personal interest" in a transaction with the company if:

- (a) He himself; or
- (b) A member of his family (i.e. spouse, father, mother, sons, daughters, brothers or sisters); or
- (c) Another company of which he is a director or controlling shareholder,

is a party to the transaction or has a material financial interest in the transaction. (Transactions and interests which are *de minimis* in value should not be included.)

Avoidance of Conflicts of Interest

53. Each director and officer must make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the company.

54. The board must establish and disseminate to its members and management, policies and procedures for the identification, reporting, disclosure, prevention, or strict limitation of potential conflicts of interest. It is senior management's responsibility to implement these policies. In particular, the CBB requires that any decisions to enter into transactions, under which approved persons would have conflicts of interest that are material, should be formally and unanimously approved by the full board. Best practice would dictate that an approved person must:

- (a) Not enter into competition with the company;
- (b) Not demand or accept substantial gifts from the company for himself or connected persons;
- (c) Not misuse the company's assets;
- (d) Not use the company's privileged information or take advantage of business opportunities to which it is entitled, for himself or his associates; and
- (e) Absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject or (proposed) transaction where a conflict of interest exists.

Disclosure of Conflicts of Interest

55. Each director and officer must inform the entire board in writing of conflicts of interest immediately as they arise. Board members must abstain from voting on the matter in accordance with the relevant provisions of the Commercial Companies Law. This disclosure must include all material facts in the case of a contract or transaction involving the director or officer. The directors and officers must understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision and that such information must be disclosed in the annual report.

56. The board should establish formal procedures for:

- (a) Periodic disclosure and updating of information by each director and officer on his actual and potential conflicts of interest; and

- (b) Advance approval by disinterested directors or shareholders of all transactions in which a company director or officer has a personal interest. The board should require such advance approval in every case.

57. Any conflict transaction or contract that could be considered material should be tabled at a shareholders meeting for approval.

Disclosure of Conflicts of Interest to Shareholders

58. The company must disclose to its shareholders in the Annual Report any abstention from voting motivated by a conflict of interest and must disclose to its shareholders any authorization of a conflict of interest contract or transaction in accordance with the Commercial Companies Law.

Audit Committee and Financial Statements Certification

Principle 3

59. The board must have rigorous controls for financial audit and reporting, internal controls, risk management and compliance with the law.

Audit Committee

60. The board must establish an audit committee of at least three directors, of which the majority must be independent including the Chairman. The committee must:

- (a) Review the company's accounting and financial practices;
- (b) Review the integrity of the company's financial and internal controls and financial statements;
- (c) Review the company's compliance with legal requirements;
- (d) Recommend the appointment, compensation and oversight of the company's external auditor;
- (e) Recommend the appointment of the internal auditor;
- (f) Approve the internal audit policies and any reports and plans made in terms of such policies;
- (h) Unless otherwise designated to another committee, review the risk management policies and procedures as well as any reports and plans issued in terms of such policies;
- (i) Unless otherwise designated to another committee, reviews the key persons dealing and market abuse policies and procedures as well as any reports and plans issued in terms of such policies;

- (j) Review and approve the interim financial statements where the board is unable to hold a meeting for this purpose;
 - (k) Recommend any additional or specific audit required in respect of the financial statements and other specific part of the business; and
 - (l) Recommend and table for discussion a management letter to be provided to the external auditor.
61. In its review of the systems and controls framework, the audit committee must:
- (a) Make effective use of the work of external and internal auditors. The audit committee must ensure the integrity of the company's accounting and financial reporting systems through regular independent review (by internal and external audit). Audit findings must be used as an independent check on the information received from management about the company's operations and performance and the effectiveness of internal controls;
 - (b) Make use of self-assessments, stress/scenario tests, and/or independent judgments made by external advisors. The board should appoint supporting committees, and engage senior management to assist the audit committee in the oversight of risk management; and
 - (c) Ensure that senior management has put in place appropriate systems of control for the business of the company and the information needs of the board; in particular, there must be appropriate systems and functions for identifying as well as for monitoring risk, the financial position of the company, and compliance with applicable laws, regulations and best practice standards. The systems must produce information on a timely basis.
62. Companies should set up an internal audit function, which reports directly to the Audit Committee and administratively to the CEO.
63. The CEO must not be a member of the audit committee

Audit Committee Charter

64. The audit committee must adopt a written charter which shall, at a minimum, state the duties outlined in rule HC-3.2.1 of the Corporate Governance Code and the other matters included in Appendix A to Corporate Governance Module.
65. A majority of the audit committee must have the financial literacy qualifications stated in Appendix A.
66. The board should adopt a "whistleblower" programme under which employees can confidentially raise concerns about possible improprieties in financial or legal matters. Under the programme, concerns may be communicated directly to any audit committee member or, alternatively, to an

identified officer or employee who will report directly to the Audit Committee on this point.

CEO and CFO Certification of Financial Statements

67. To encourage management accountability for the financial statements required by the directors, the company's CEO and chief financial officer must state in writing to the audit committee and the board as a whole that the company's interim and annual financial statements as prepared in accordance with IAS and IFRS present a true and fair view, in all material respects (including providing adequate provisions), of the company's financial condition and results of operations in accordance with applicable accounting standards.

Appointment, Training and Evaluation of the Board

Principle 4

68. The company must have rigorous procedures for the appointment, training and evaluation of the board.

Nominating Committee

69. The board must establish a Nominating Committee of at least three directors which must:

- (a) Identify persons qualified to become members of the board of directors or Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of the company considered appropriate by the board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Audit Committee.
- (b) Make recommendations to the whole board of directors, including recommendations of candidates for board membership (including renewals or reappointment) to be included by the board of directors on the agenda for the next annual shareholders meeting; and
- (c) Must review and make recommendations on board candidates proposed by those substantial shareholders eligible to propose a director to represent such shareholder on the board.

70. The committee must include only independent directors or, alternatively, only non-executive directors of whom a majority must be independent directors and the chairman must be an independent director. This is consistent with international best practice and it recognizes that the Nominating Committee must exercise judgment free from personal career conflicts of interest.

71. The Nominating Committee should establish a reasonable timeframe to be included in its terms of reference sufficient for it to be able to perform its

necessary due diligence in respect of the recommendations prior to such nominations being tabled at any shareholders meeting.

Nominating Committee Charter

72. The Nominating Committee must adopt a formal written charter which must, at a minimum, state the duties outlined in rule HC-4.2.1 and paragraph HC-4.2.3 and the other matters included in Appendix B to the Corporate Governance Module, as well as any relevant training and competency requirements required by regulatory authorities.

Board Nominations to Shareholders

73. Each proposal by the board to the shareholders for election or re-election of a director must include:

- (a) A recommendation from the board;
- (b) A summary of the advice of the Nominating Committee;
- (c) The term to be served, which may not exceed three years (but there need not be a limit on re-election for further terms);
- (d) Biographical details and professional qualifications;
- (e) In the case of an independent director, a statement that the board has determined that the criteria of independent director has been met;
- (f) Any other directorships held;
- (g) Particulars of other positions which involve significant time commitments; and
- (h) Details of relationships between:
 - (i) The candidate and the company (including any ownership therein); and
 - (ii) The candidate and other directors of the company.

74. The chairman of the board should confirm to shareholders when proposing re-election of a director that, following a formal performance evaluation, the person's performance continues to be effective and continues to demonstrate commitment to the role. Any term beyond six years (e.g. two three-year terms) for a director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board. Serving more than six years is relevant to the determination of a non-executive director's independence.

Induction and Training of Directors

75. The chairman of the board must ensure that each new director receives a formal and tailored induction to ensure his contribution to the board from the beginning of his term. The induction must include meetings with senior management, visits to company facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programmes, its internal and external auditors and legal counsel.

76. All continuing directors must be invited to attend orientation meetings and all directors must continually educate themselves as to the company's business and corporate governance.

77. Management, in consultation with the chairman of the board, should hold programmes and presentations to directors with respect to the Commercial Companies Law, the company's Memorandum and Articles of Association, as well as the company's business and industry, which may include periodic attendance at conferences and management meetings. The Nominating Committee shall oversee directors' corporate governance educational activities.

Remuneration of Directors and Officers

Principle 5

78. The company must remunerate directors and officers fairly and responsibly.

Remuneration Committee

79. The board must establish a remuneration committee of at least three directors which must:

- (a) Review the company's remuneration policies for the board of directors and senior management (holding controlled functions), which must be approved by the shareholders and be consistent with the corporate values and strategy of the company;
- (b) Make recommendations regarding remuneration policies and amounts for specific persons to the whole board, taking account of total remuneration including salaries, fees, expenses and employee benefits; and
- (c) Recommend board member remuneration based on their attendance and performance.

80. Prior to any vote by the shareholders, the chairman of the board should ensure that full disclosure of all material facts has been made to the shareholders.

81. The committee may be merged with the nominating committee.

Remuneration Committee Charter

82. The committee must adopt a written charter which must, at a minimum, state the duties in Rule HC-5.2.1 and other matters in Appendix C of the Corporate Governance Module.

83. The committee should include only independent directors or, alternatively, only non-executive directors of whom the majority are independent directors and the chairman is an independent director. This is consistent with international best practice and it recognizes that the remuneration committee must exercise judgment free from personal career conflicts of interest.

Standard for All Remuneration

84. Remuneration of both directors and officers must be sufficient enough to attract, retain and motivate persons of the quality needed to run the company successfully, but the company must avoid paying more than is necessary for that purpose.

Non-Executive Directors' Remuneration

85. Remuneration of non-executive directors must not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

Officers Remuneration

86. Remuneration of officers must be structured so that a portion of the total is linked to the company and individual performance and aligns their interests with the interests of the shareholders.

87. Such rewards may include grants of shares, share options and other deferred stock-related incentive schemes, bonuses, and pension benefits which are not based on salary.

88. If an officer is also a director, his remuneration as an officer must take into account compensation received in his capacity as a director.

89. All share incentive plans must be approved by the shareholders.

90. All performance-based incentives should be awarded under written objective performance standards which have been approved by the board and are designed to enhance shareholder and company value, and under which shares should not vest and options should not be exercisable within less than two years of the date of award of the incentive and include principles of deferred payment, claw back provisions and prevention of distribution during non-profit years, as well as other remuneration principles issued by relevant industry supervisory bodies.

91. All policies for performance-based incentives should be approved by the shareholders, but the approval should be only of the plan itself, and not of the grant to specific individuals of benefits under the plan.

Management Structure

Principle 6

92. The board must establish a clear and efficient management structure.

Establishment of Management Structure

93. The board must appoint officers whose authority must include management and operation of current activities of the company, reporting to and under the direction of the board. Unless otherwise exempted under the relevant licensing or listing Module, the officers must include at a minimum:

- (a) A CEO;
- (b) A chief financial officer;
- (c) A corporate secretary; and
- (d) An internal auditor;

and must also include such other officers as the board considers appropriate, or as required by the relevant licensing or listing Module.

94. The board must ensure that the management structure caters for the following functions, where relevant:

- (a) Anti-money laundering and combating financial crime;
- (b) Risk management; and
- (c) Shareholders and investor relations.

Titles, Authorities, Duties and Reporting Responsibilities

95. The board must adopt by-laws prescribing each senior officer's title, authorities, duties and internal reporting responsibilities. This must be done with the advice of the Nominating Committee and in consultation with the CEO, to whom the other officers should normally report.

96. These provisions must include but should not be limited to the following:

- (a) The CEO must have authority to act generally in the company's name, representing the company's interests in concluding transactions on the company's behalf and giving instructions to other officers and company employees;
- (b) The chief financial officer must be responsible and accountable for:

- (i) The complete, timely, reliable and accurate preparation of the company's financial statements, in accordance with IAS and IFRS, and policies of the company and
- (ii) Presenting the board with a balanced and understandable assessment of the company's financial situation;
- (c) The corporate secretary's duties must include arranging, recording and following up on the actions, decisions and meetings of the board and of the shareholders (both at annual and extraordinary meetings) in books to be kept for that purpose and shareholder and investor relations; and
- (d) The internal auditor's duties must include providing an independent and objective review of the efficiency of the CMSP's operations. This would include a review of the accuracy and reliability of the company's accounting records and financial reports, as well as a review of the adequacy and effectiveness of the company's risk management, control, and governance processes.

97. The board should also specify any limits which it wishes to set on the authority of the CEO or other officers, such as monetary maximums for transactions which they may authorize without separate board approval.

98. The corporate secretary should be given general responsibility for reviewing the company's procedures and advising the board directly on such matters. Whenever practical, the corporate secretary should be a person with legal or similar professional experience and training.

99. At least annually the board shall review and concur in a succession plan addressing the policies and principles for selecting a successor to the CEO, both in emergencies and in the normal course of business (including deputation while the CEO is unable to perform his functions). The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

Communication between Board and Shareholders

Principle 7

100. The company must communicate with shareholders, encourage their participation, and adhere to their rights.

Shareholders of the Same Type, Class and Series

101. All shareholders of the same type, class and series must be treated equally.

102. Within any type, series or class, all shares must carry the same rights. All investors should be able to obtain information about the rights attached to all types, series or classes of shares before they purchase. Any changes in voting rights must be subject to approval by those shareholders which are negatively affected.

103. Minority shareholders must be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and must have effective means of redress.

104. The board and corporate secretary must encourage the attendance of shareholders at all shareholder meetings, in order for shareholders to exercise their right to vote at such meetings.

105. Where shareholders are unable to attend, companies must make provision for such shareholder to vote by proxy, subject that such proxy is revocable and provides for two-way voting item by item (yes/no) and where proxies are provided to board members or senior management, that such proxy shall not exceed 5% of the eligible votes.

106. Votes must be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.

107. Impediments to cross border voting must be eliminated.

108. Processes and procedures for general meetings must allow for equitable treatment of all shareholders. Company procedures must not make it unduly difficult or expensive to cast votes.

Shareholders' Rights

109. The Corporate Governance framework of a company must protect and facilitate the exercise of shareholders' rights.

110. Basic shareholders rights include but are not limited to:

- (a) Secure methods of ownership registration;
- (b) The transfer of shares;
- (c) Obtaining relevant and material information on the corporation on a timely and regular basis;
- (d) Participating and voting in general shareholder meetings;
- (e) Electing and removing members of the board;
- (f) Sharing in the profits of the corporation;
- (g) Presentations by independent advisers; and
- (h) Participating in corporate events.

110. Shareholders must have the right to participate in, and to be sufficiently informed on decisions concerning fundamental corporate changes, such as:

- (a) Amendments to the statutes, or articles of incorporation or similar governing documents of the company;
- (b) The authorization and approval of additional or new shares or securities; and
- (c) Extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company, including but not limited to transactions falling under Module TMA.

Conduct of Shareholders' Meetings

111. The board must observe both the letter and the intent of the Commercial Companies Law's requirements for shareholder meetings. Among other things:

- (a) Notices of meetings must be honest, accurate and not misleading. They must clearly state and, where necessary, explain the nature of the business of the meeting;
- (b) Meetings must be held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
- (c) Notices of meetings must encourage shareholders to attend shareholder meetings, and if not possible, to participate by proxy and refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy agreement must list the agenda items and must specify the vote (such as "yes," "no" or "abstain");
- (d) Notices must ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including but not limited to any recommendations or dissents of directors;
- (e) The board must propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not "bundled" together;
- (f) In meetings where directors are to be elected or removed the board must ensure that each person is voted on separately, so that the shareholders can evaluate each person individually;
- (g) The chairman of the meeting must encourage questions from shareholders, including questions regarding the company's corporate governance guidelines;
- (h) The minutes of the meeting must be made available to shareholders upon their request as soon as possible, but not later than 30 days after the meeting;
- (i) Disclosure of all material facts must be made to the shareholders by the Chairman prior to any vote by the shareholders;

- (j) Disclosure must be made of the attendance of the board of directors at board meetings, as well as committee meetings, on an individual basis, including the outcome and any decisions taken at such meetings, together with any objections or reservations raised item by item;
- (k) As shareholder meetings are public meetings, the board and senior management must permit on request for members of the media to attend and report on shareholder meetings of the company; and
- (l) Any commercial material or notices to stakeholders shall also be provided to shareholders, particularly in relation to topics to be discussed at annual general meetings.

112. The company should require all directors to attend and be available to answer questions from shareholders at any shareholder meeting and, in particular, ensure that the chairs of the audit, remuneration and nominating committees are ready to answer appropriate questions regarding matters within their committee's responsibility (it being understood **that confidential and proprietary business information may be kept confidential**).

113. The company should require its external auditor to attend the annual shareholders' meeting and be available to answer shareholders' questions concerning the conduct and conclusions of the audit.

114. A company should maintain a company website. The company should dedicate a specific section of its website to describing shareholders' rights to participate and vote at each shareholders meeting, and should post significant documents relating to meetings including the full text of notices and minutes. The company may also consider establishing an electronic means for shareholders' communications including appointment of proxies. For confidential information, the company should grant a controlled access to such information to its shareholders.

115. In notices of meetings at which directors are to be elected or removed, the company should ensure that:

- (a) Where the number of candidates exceeds the number of available seats, the notice of the meeting should explain the voting method by which the successful candidates will be selected and the method to be used for counting of votes; and
- (b) The notice of the meeting should present a factual and objective view of the candidates so that shareholders may make an informed decision on any appointment to the board.

Direct Shareholder Communication

116. The chairman of the board (and other directors as appropriate) must maintain continuing personal contact with major shareholders to solicit their views and understand their concerns. The chairman must ensure that the views of shareholders are communicated to the board as a whole. The chairman must discuss governance and strategy with major shareholders. Given the importance

of market monitoring to enforce the "comply or explain" approach of Corporate Governance Module, the board should encourage investors, particularly institutional investors, to help in evaluating the company's corporate governance.

117. Institutional investors acting in a fiduciary capacity must disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.

118. Institutional investors acting in a fiduciary capacity must disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.

Controlling Shareholders

119. In companies with one or more controlling shareholders, the chairman and other directors must actively encourage the controlling shareholders to make considered use of their position and to fully respect the rights of minority shareholders.

Corporate Governance Disclosure

Principle 8

120. The company must disclose its corporate governance.

Disclosure of Corporate Governance Guidelines

121. In each company:

- (a) The board must adopt written corporate governance guidelines covering the matters stated in Module HC and other corporate governance matters deemed appropriate by the board. Such guidelines must include or refer to the principles and rules of Module HC;
- (b) The company's must publish the guidelines on its website.
- (c) At each annual shareholders' meeting the board must report on the company's compliance with its guidelines and Module HC, and explain the extent, if any, to which it has varied them or believes that any variance or non-compliance was justified; and
- (d) At each annual shareholders' meeting the board must also report on further items listed in rule HC-8.3.1 of Corporate Governance Module.

Disclosure as a Company

122. The company must disclose in its annual report the following:

123. Ownership of Shares:

- (a) Distribution of ownership by nationality;
- (b) Distribution of ownership by size of shareholder;
- (c) Ownership by Government; and
- (d) Names of shareholders owning 5% or more and, if they act in concert, a description of the voting, shareholders' or other agreements among them relating to acting in concert, and of any other direct and indirect relationships among them or with the company or other shareholders.

124. Board, Board Members and Management:

- (a) The 'mandate' of the board must be set out;
- (b) The types of material transactions that require board approval;
- (c) Names, their capacity of representation and detailed information about the directors, including directorships of other boards, positions, qualifications and experience (must describe each director as executive or non-executive);
- (d) Number and names of independent members;
- (e) Board terms and the start date of each term;
- (f) What the board does to induct/educate/orient new directors;
- (g) Director's ownership of shares;
- (h) Election system of directors and any termination arrangements;
- (i) Director's trading of company shares during the year;
- (j) Meeting dates and number of meetings held during the year;
- (k) Attendance of directors at each meeting;
- (l) Remuneration policy and aggregate remuneration to board members;
- (m) List of senior managers and profile of each;
- (n) Shareholding of senior managers;
- (o) Remuneration policy and aggregate remuneration paid to the executive management;
- (p) Details of stock options and performance-linked incentives available to executives; and

- (q) Whether the board has adopted a written code of ethical business conduct, and if so a statement of how the board monitors compliance.

125. Committees:

- (a) Names of the board committees;
- (b) Functions of each committee;
- (c) Names of each director of each committee divided into independent and non-independent;
- (d) Minimum number of meetings per year;
- (e) Actual number of meetings;
- (f) Attendance of committees' members;
- (g) Aggregate members' remuneration; and
- (h) Work of committees and any significant issues arising during the period.

126. Corporate Governance:

- (a) Reference to Corporate Governance Module and the Corporate Governance Code (CGC) and guidelines of the company; and
- (b) Changes on the company's corporate governance guidelines that took place during the year.

127. Auditors:

- (a) Audit fees;
- (b) Non-audit services provided by the external auditor and fees;
- (c) Reasons for any switching of auditors and re-appointing of auditors; and
- (d) Review of internal control processes and procedures.

128. Financial Information:

Announcements of financial results must be in line with International Financial Reporting Standards and must include at least the following:

- (a) Balance sheet, income statement, cash flow statement and changes in shareholders' equity;
- (b) External Auditor;
- (c) External Auditor's signature date;
- (d) Board approval date; and
- (e) The directors' responsibility with regard to the preparation of financial statements.

129. Conflict of interest:

- (a) Any issues on conflicts of interest arising must be reported;
- (b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest;
- (c) Approval process for related party transactions; and
- (d) Related party transactions.

130. Board of Directors — whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution.

131. Other:

- (a) Means of communication with shareholders and investors; and
- (b) Separate report on Management Discussion and Analysis, this must identify and comment on the management of principal risks and uncertainties faced by the business