

**Purpose:**

The implementation of effective and efficient work practices within an organization is a key component to the success or failure of that organization. A business that designs and implements, on an ongoing basis, industry best practice across all areas of its operations is perfectly placed to take on the mantle of the market leader.

Therefore, the Board of Directors (the Board) and the Executive Management (the Management) of National Takaful (Watania) is committed to developing and complying with certain business and management standards, which conform to good business and corporate practices. These standards, related to the corporate governance policy of the company, its strategic direction, the desired Company culture and guiding principles in core functional areas are incorporated in this document. The document also incorporates the guidelines issued by Securities & Commodities Authority on corporate governance. Further, the document includes the basic governing rules for listed companies and the reporting and disclosure requirements stipulated in the Capital Market Law and related regulations.

This document provides a high-level definition of the above mentioned standards, principles and policies, which shall be read in conjunction with detailed, policies and procedures defined for different functional areas for smooth implementation of such standards and policies.

**Effective date:**

This procedure shall be effective from the date of approval by the Board of Directors and will fall due for review by the audit committee three years after the date of approval, unless there is an interim revision due to policy changes. The Internal Audit Department shall advise the Audit Committee about any policy/ regulatory changes which may necessitate a revision to the contents of this document.

**Scope:**

This document sets out guidelines, standards and principles for the Board and the Management with respect to the Corporate Governance Policy of the Company.

Apart from the above, the document also sets out the guidelines related to compliance, monitoring and quality assurance activities related to this document.

### References:

- The implementing regulations for the Law on Supervision of Cooperative Insurance Companies.
- The Corporate Governance guidelines by Securities & Commodities Authority
- Capital Market Law, CMA guidelines on Corporate Governance (“Corporate Governance and related rules and regulations in (United Arab of Emirates – 2007).
- The Articles of Association of (Watania)
- Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards.

### Definitions:

#### Principles:

The objective of the ‘Principles’ outlined for each section of the Code is to guide the (National Takaful) Management to apply these to the changing circumstances of the company using their own judgment and knowledge of the business circumstances.

#### *Definitions Coned:*

#### Code Provisions:

The ‘Code Provisions’ are in effect the basic procedures that will be followed and implemented by the Board, in order to apply the overlying principle for each section.

The Board will ensure that the ‘Principles’ are not merely applied in form but in the spirit intended.

#### Desired Practices:

The ‘Desired Practices’ are supplementary procedures, which are not mandatory. However, they would help in strengthening the implementation of the underlying principles in each section.

#### Executive Management:

‘Executive Management’ includes the Chief Executive officer (CEO) or the Executive Board Member (MD) or the General Manger (GM)

#### Stakeholders:

“Stakeholders” include the shareholders, clients, providers and employees of the Company as well as the regulatory authorities who have an interest in the operations of the Company.

**Independent Board Member:**

A member who neither himself / herself , his/her spouse nor first-degree relative is a member of the executive management of a Company during the last two years or has a relationship that creates financial deals with a company, parent company, sister company, or allied company during the last two years if the total amount of these transactions exceeds 5% of the paid-up capital of the company, an amount of five million Dirham's ( AED 5,000,000.00) or an equivalent amount in a foreign currency, whichever is less:

In particular, a board member does not meet the independence condition in the following cases:

- He/she is an employee of any party related to the Company during the last two years.
- He/she is directly related to a Company that performs consultations to the company or any parties related thereto.
- He/she enters into personal service contracts with the Company, any party related to a non-profit organization that receives a considerable financing from the company or a party related thereto.
- He/she is during the last two years related to or an employee of any external or former auditor of the company or any party related to the company.
- If his? Her or his/her minor children's share or share of both in the capital of the company amounts ten percent (10%) or more.

**Relatives of the first degree:**

Father, mother, children, spouse, spouse's father, spouse's mother and stepchildren.

**Non-Executive Board Member:**

A Board member who is not dedicated on a full time basis to the management of a Company or does not receive a monthly or annual salary from a Company. The remuneration received as a board member may not constitute a salary.

**Minority Shareholders:**

They are the shareholders representing a non-controlling group and hence not influential.

**Cumulative Voting:**

Each shareholder shall have a number of votes that is equal to the number of shares he/she hold , to be applied towards voting for only one nominees to the membership of the board of directors or distributed to selected nominees: provided , however , that the number of votes given to selected nominees should not exceed the number of held votes .

## 1. Corporate Governance – Roles and Responsibilities:

### 1.1 Introduction

Disclosure and transparency are key to the implementation of good corporate governance practices. In fact, most of what is deemed good governance behavior derives directly from enhanced disclosure of existing corporate practices, i.e. greater Transparency.

In order to be effective, the principles of good corporate governance must be applied to all aspects of National Takaful activities. In fact, due to the trickle down nature of most practices, it is vital that such good governance principles are adopted and clearly demonstrated by the Board and the Management of the Company. This is essential if the rest of the Company is to be encouraged to truly buy into the philosophy of good corporate governance.

The purpose of this section is to formally define the Corporate Governance policy of The Company and to give all of the Company's stakeholders a true and fair view of the implementation of good corporate practices by the Management of the Company.

The potential beneficiaries will include all stakeholders of the Company, including its shareholders, customers and employees.

The areas covered under this section include:

- the Company's governance structure, in particular the allocation of roles and responsibilities within the organization;
- the disclosure standards for financial information issued to stakeholders as required by ESCA as well as other applicable regulations such as the International Financial Reporting Standards; and
- The treatment and disclosure of related party transactions.

This section further sets out the roles and responsibilities of:

- the General Assembly;
- the Board of directors and its Committees such as:
  - Audit Committee, and
  - Nomination and remuneration committee
  - Executive Committee
- the Senior Executive Management of the Company; and
- The Internal Audit function.

## 1.2 The General Assembly of Shareholders

### 1.2.1 Principle

National Takaful shall protect all legitimate rights of the shareholders and keep its shareholders well informed of all major developments within the Company via frank and frequent interaction, provision of periodic financial performance reports and encouraging the participation of non-institutional and minority shareholders in the Company's Annual General Meeting.

### 1.2.2 Code Provisions

- Shareholders of National Takaful, being the owners and ultimate stakeholders, shall have the right, privilege and authority to be kept informed about the ways in which the Company's corporate affairs are governed by the Board of Directors and Executive Management.
- Shareholders shall have all rights related to stocks, especially the right for dividends approved for distribution, right for attending the shareholders' assemblies and participation in its deliberations and to vote on decisions, the right to deal in the stocks and the right to monitor the activities of the Board and file liability suits on the Board members, the right for a share of the Company's assets in the event of its liquidation, and the right of enquiry and request of information without affecting the interests of the Company and not contradicting with the related laws and regulations.
- The General Assembly of shareholders shall have the ultimate authority for appointing or removing members of the Board. While exercising this authority, the General Assembly shall ensure that the Company is managed by a competent Board of Directors.
- The Board of Directors shall maintain effective channels of communications with shareholders so as to keep them well informed of all major developments within the Company. It shall maintain an effective dialogue and feedback mechanism with the Shareholders and the general public on an ongoing basis.
- The Board of Directors shall ensure the provision of periodic financial performance reports to the shareholders, which depicts a true and fair view of the Company's affairs.
- The Board shall encourage and promote the participation of non-institutional and minority shareholders in the Company's Annual General Meetings so as to protect the interests of the minority shareholders.
- The Board shall work in the best interests of the Company and shall ensure its independence and objectivity in all business decisions impacting shareholders.

### 1.3 Board of Directors

#### 1.3.1 Principle

National Takaful shall be headed by a competent Board of Directors, which shall provide effective leadership, enable a suitable system of Risk Management and internal controls, set the Company's objectives and strategic direction and shall be responsible for the overall success of the Company.

#### 1.3.2 Code Provisions:

##### 1.3.2.1 Selection, composition and qualifications:

The Board shall:

- Ensure a formal and transparent Board nomination process.
- Be composed of sufficiently qualified and experienced persons, to be able to exercise independent judgment on issues of performance, resources and standards of conduct;
- Be composed of members having relevant experience in financial and insurance business to enable them to carry out their responsibilities in the best possible manner.
- Elect a Chairman of the Board from within the members and appoint the CEO.
- Manage the succession plan for key executives, especially the CEO, and have the authority to dismiss the CEO, if necessary.
- Ensure that the Board members are not members of the Board of any other insurance and or reinsurance company.
- Ensure that the National Takaful Board member shall not hold membership in the Boards of more than five listed joint stock companies simultaneously in accordance with the related law.
- Ensure that no Board member shall engage in any kind of competitive business with the Company or deal in any branches of its activities, unless specifically authorized by the General Assembly.
- Put in place procedures to facilitate smooth succession of the Board Members.

##### 1.3.2.2 General responsibilities of the Board:

The Board shall:

- Assume responsibility for developing and monitoring the Company's core philosophy, mission, vision, objectives and overall corporate strategy.
- Implement up-to-date professional and ethical practices.
- Ensure that the Directors are dedicating an adequate amount of time for the effective performance of their duties.

- Have a formal schedule of matters specifically reserved for the Board's decision making and it shall also define the specific authorities that are delegated to the Executive Management, including the general rules for decision making;
- Act on a fully informed basis with due diligence and care in the best interests of the Company and its shareholders.
- Monitor and assess the Company's performance in all areas.
- Establish and monitor a suitable risk management system to identify and manage various risks, including strategic, financial and operational risks and to implement a reliable system of internal controls to mitigate various risks to an acceptable level;
- Ensure that financial and accounting procedures are efficient & effective; including procedures related to the preparation of financial reports;
- Oversee major capital expenditures, acquisitions and divestitures;
- Monitor and manage potential conflicts of interest of Management, Board members and shareholders, including the prevention of any misuse of corporate assets and abuse in related-party transactions.
- Ensure that written rules are promulgated to prevent fraud and to deal with suspected or discovered frauds.
- Ensure that written rules are in place regarding controls over money laundering and terrorism financing activities.
- Ensure that the Board members shall be committed to duly represent and protect the interests of the Company and all of its shareholders in general, not merely the interests of the groups that they may represent, or only of those who have voted for their appointment.
- Follow a transparent and clear policy in respect of distribution of dividends that will achieve the interests of the shareholders as well as that of the Company.

#### ***1.3.2.3 Compliance with Laws and Regulations:***

The Board shall:

- Ensure disclosure of all relevant information to the shareholders as required under the Capital Market laws and regulations such as:
  - ✓ Quarterly and annual reports including the financial statements.
  - ✓ The nature of the Company's business and activities.
  - ✓ Information on the Board members, Executive Management and major shareholders.
  - ✓ Evaluation of the Management of current and future developments and

- ✓ future possibilities that could have significant effect on the business results or financial position of the company;
- ✓ Any other information as may be required by the ESCA.
- Ensure disclosures on major developments in the Company's activities that are not in the public knowledge and which may have an effect on the Company's assets and liabilities or financial position or on the general course of its business.
- Issue the Director's report as part of the annual reports including a review of the Company's operations during the reporting year, relevant factors affecting the Company's business, explanation on any significant departures from the accounting standards, information on related party transactions, and such other details as required by the Capital Market Law and regulations.
- Ensure that suitable controls are in place to prevent manipulation and insider trading in line with the Capital Market Law, regulations and definitions;
- Ensure compliance with the Law on supervision of Cooperative Insurance Companies and related regulations in accordance with Ministerial resolution No.(518)OF2009 Concerning governance and corporate discipline standards .
- Ensure compliance with other applicable laws and regulations and take into account the interests of the stakeholders.

#### **1.3.2.4 Disclosures and Communications**

- Apart from ensuring compliance with various disclosures and reporting requirements as stated in the previous section, the Board shall have in place a policy on communications with shareholders and other third parties and ensure effective communication with them.
- The Board shall present to shareholders and other stakeholders a concise and balanced picture of the Company's financial performance in line with the various reporting and disclosure requirements.
- The Board shall ensure that all communications to the Company's stakeholders and general public are based on validated, up to date and relevant financial / non-financial information.
- The Directors shall make disclosure to the Board of all instances where conflicts of interest may arise in their capacity as Directors of the Company and as participants in transactions or deals undertaken by the Company.
- No Board member is allowed, without annual authorization from the General Assembly, to have any stake (direct or indirect) in the businesses and contracts awarded by the Company, unless such businesses and contracts were awarded based on an open bidding process, which he had won, having made the best offer.

- A Board member has to inform the Board about any stake in the businesses and contracts conducted by him with the Company. Such disclosures made by the members shall be recorded in the minutes of the related meetings. The member, having a conflict of interest, shall not participate in the voting for decisions related to the subject matter.
- Each board member shall, when assuming his/her office duties , disclose to the company the nature of positions he/she assumes in companies and public institutions as well as other obligations, their set term and any changes thereto, once the same take place.
- The Board of Directors shall inform the General Assembly (GA), when the GA meeting is convened, about the business and contracts of the Company that a Board member has interests in. Such notifications shall be attached to the special reports from the external auditors.
- The Board shall ensure that the Company's Annual Report contains disclosures on:
  - a. The details related to Watania Board members having membership in the Boards of other listed companies.
  - b. Formation of the Board, including details of executive/ non-executive/ independent members.
  - c. Brief description of the Board's Committees.
  - d. Summary details of remuneration paid to Directors, members of sub committees and top executives of the Board.
  - e. Penalties, punishments or provisional restraints imposed upon the Company by ESCA or other regulatory authorities.
  - f. Results of annual review of the Company's internal control procedures.

#### ***1.3.2.5 Company secretary, Board meetings and minutes:***

The Board shall appoint a Company Secretary, who shall ensure that:

- All appointments to the Board are made appropriately, and in accordance with approved procedures.
- All information to be provided by Directors to fulfill their corporate and statutory obligations, is received complete and on time.
- The Company meets all its statutory filing and reporting requirements in time.
- All requisite information is made available for the efficient performance of Board meetings; and
- Due procedures, rules and regulations are followed in the performance and documentation of the meetings of the Board and its various Committees as well as the General Assembly meetings.
- Board members shall allocate sufficient time to carry out their responsibilities, including preparations for Board meetings

- Board members shall hold regular and periodic meetings every two months based on invitation by the Chairman. If any two members of the Board make a request in writing, the Chairman shall convene an emergency meeting of the Board.
- The Board Secretary shall arrange for finalizing the agenda for Board meetings with due approval of the Chairman in discussion with other members and the CEO. The agenda, accompanied by required documents, shall be sent to the members sufficiently in advance to allow time for preparations for the meetings; In the event of any members' objection to the agenda, the details of the objection shall be included in the minutes of the meeting.
- The minutes of every Board meeting shall be prepared, including the details of discussions and deliberations and voting details, if any, on decisions. The minutes shall be circulated to all the members within 10 days of the meeting and the action points decided upon shall be followed up on a regular basis; all documents related to the meetings shall be duly indexed and filed for easy access;
- The full Board of Directors shall meet at least once every four months, and the quorum required for the meetings shall be four members, including the Chairman.

#### *1.3.2.6 Protection of stakeholder's rights:*

- The Company shall duly protect and preserve the rights of all stakeholders, either assured by the Laws and regulations or assured through specific contracts and to maintain good relations with its clients and suppliers. It shall also duly protect the confidentiality of privileged information.
- Complaints and disputes that may arise between the Company and its stakeholders shall be addressed in an objective and timely manner.
- "Watania" employees and executives shall follow professional standards including the code of conduct and ethical practices in dealing with their clients and other stakeholders.

#### *1.3.3 Desired practices report:*

The Board shall publish annually a statement of the Company's compliance with the principles and procedures laid out in this Code, along with explanations as to how the Code has been implemented in substance as well as in form; and justifications for any non-compliance.

### **1.4 Board's Balance:**

#### *1.4.1 Principle:*

The Board shall pursue the interests of all stakeholders including its shareholders, clientele and the employees of the Company. The majority of Board members shall be non-executive and two of them

must be independent Directors in order to provide objectivity and balance to the Board's decision-making process.

**1.4.2 Code Provisions:**

- The six members Board shall contain at least four non- executive Directors, including at least two independent directors, in order to lend greater objectivity to the Board decisions.
- The non-executive Directors shall have the requisite skill and experience needed to bring independence to discussions on issues such as "Watania" strategy, performance evaluation, external reporting and key appointments to the Executive Management.

**1.4.3 Desired practices:**

The criteria for Directors' independence shall be disclosed to the shareholders and other principal stakeholders.

**1.5 Appointments to the Board:**

**1.5.1 Principle:**

"Watania" shall employ a formal and transparent procedure for the appointment of new Directors.

**1.5.2 Code Provisions:**

- ❖ *The general assembly meeting will vote the board members via secret and cumulative voting.*
- The ultimate authority for appointing or removing members of the Board shall be vested with the shareholders of the Company.
- Appointments shall be made in a formal, transparent manner.
- The existing Directors who are desirous of re-election on expiry of their term can submit themselves for re-election.

**1.5.3 Desired practices:**

Appropriate orientation programme shall be arranged for all new Board members to enable them to be conversant with their responsibilities and duties, business operations of the Company and applicable laws and regulations, which they have to ensure compliance with.

## 1.6 Chairman and Chief Executive Officer (CEO)

### 1.6.1 Principle:

There shall be a clear division of responsibility between the CEO and the Chairman of the Board so as to ensure proper balance of power and authority at the top.

### 1.6.2 Code Provisions:

- The Chairman of the Board shall be different from the Chief Executive Officer (CEO) of the Company.
- The Chairman of the Board shall not have any executive responsibilities in the Company.

## 1.7 Committees of the Board of Directors:

### 1.7.1 Principle:

The Board shall establish two committees, audit committee and remuneration committee to be able to effectively direct its efforts towards the better management of the Company. The Board shall specify for each Committee whether its powers are limited to the review of certain issues or whether it has been delegated the authority to act on behalf of the Board. The Board may delegate authorities to its Committees but can never abdicate its responsibility.

### 1.7.2 Code Provisions:

- The Board shall have in place various Committees to deal separately with certain key areas of the Company, especially those requiring independent review in accordance with Ministerial Resolution No (518) of 2009.
- Appointments to the different Committees shall be made keeping in consideration any specific skills, experience or qualifications required for the deliberation of the matters within its scope.
- The minutes of every Committee meeting shall be prepared and circulated to all the Committee members within (15) days of the meeting and the action points decided upon shall be followed up on a regular basis.
- The minutes of all the Committees shall be reviewed and discussed at the meetings of the full Board.
- The Board shall monitor the performance of its Committees periodically to ensure that their assigned duties are discharged effectively.

The composition of the Committees, number of members and chairmanship shall be as defined under the sub sections below related to each Committee.

### 1.7.3 Desired practices

The Board shall issue formal terms of reference specifying the roles and responsibilities for each Committee. Such terms of reference shall be reviewed and updated on a regular basis in line with the best practices of the industry.

## 1.8 Audit Committee:

### 1.8.1 Principle:

There shall be a Committee of the Board to oversee the Company's financial reporting and evaluate the adequacy of the internal and external audit processes. The Committee shall also assess and monitor National Takaful control environment and risk management process including identification, monitoring, reporting and minimizing the business, financial and operational risks related to the Company's Strategies, Investments, Liabilities, Liquidity, Solvency, Products, Services, Operations etc. and the adequacy of internal controls to mitigate the identified risks to an acceptable level.

### 1.8.2 Code Provisions:

#### 1.8.2.1 Selection and composition:

- The membership of the Audit Committee shall be a minimum of three, composed of members who are independent of Executive Management;
- The chairman of the Audit Committee shall be a member of the board but he cannot be the Chairman of the Board;
- *A former partner of the external audit office charged with the audit of the company's accounts may not be a member of the Audit Committee for a term of one (1) year from the expiry date of his/her partnership capacity or any financial interest in the audit office , whichever is later.*
- *The committee shall at least once on a quarterly basis or whenever necessary. The minutes of the committee's meeting shall be kept by the reporter and draft meeting minutes shall be signed by attending members, prior to approval. In case a member refuses to sign, his/her objection shall, together with the causes of objection, if revealed, be reflected in the meeting minutes .member shall be served final versions of the minutes following approval for keeping.*

#### *1.8.2.2 General responsibilities of the Committee:*

The Audit Committee shall:

- Ensure adherence to applicable laws and regulations through the compliance officer as well as the internal and external auditors.
- Review the periodic financial statements prior to approval by the full Board.
- Periodically review the financial and accounting policies in practice and provide comments and recommendations on such policies to the Board.
- Review all related party and conflict of interest situations arising within the Company and in particular, any situation that raises issues on the integrity of Watania's management; the Committee shall seek the Internal Audit Department to report on such situations as and when they occur;
- Ensure appointment of a security officer who would be in charge of implementing security including physical security and IT security and shall obtain periodic reports on the security related activities;
- Review the adequacy and integrity of TAKAFUL's internal control system;
- Meet on a regular basis at least once every quarter, before every Board meeting and before the annual meeting of the General Assembly of Shareholders;
- No one other than the Audit Committee's Chairman and members is entitled to be present in the meetings of the Committee. However, the CEO, Chief Financial Officer, Internal Audit Manager and Risk Manager shall be normally invited to attend all meetings of the Committee. Other Managers or employees and representatives of the external auditors' shall be invited to attend the Committee's meeting as and when required.
- External auditors shall meet exclusively with the Committee at least once a year.

#### *1.8.2.3 Monitoring the Internal and External Audit functions*

The Audit Committee shall:

- It shall develop and apply the policy for contracting with external auditors and make a report to the board of directors to set forth the issues in respect of which an action shall be adopted together with recommendations to-be-adopted steps:
- It shall follow up and oversee the independence and objectivity of the external auditor and hold discussion with the external auditor on the nature , scope and efficiency of auditing pursuant to approved audit standards.

- It shall oversee the integrity of and review the Company's financial statements and annual , semiannual and quarterly reports in the course of its operations during the year and shall , in particular , focus on ;
  - (1) Any changes of accounting policies and practices;
  - (2) Highlighting matters that are subject to the management's judgment;
  - (3) Material amendments emerging out of auditing ;
  - (4) Assumption of the Company's going concern;
  - (5) Adherence to the accounting criteria set by the Authority ;and
  - (6) Adherence to listing and disclosure rules as well as other financial reporting legal requirement.
- It shall coordinate with the board of directors , the executive management and the financial manager or the manager assuming the same duties in the company in order to duly fulfill its duties .the committee shall hold a meeting with Company's external auditor at least once per annum;
- It shall consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company , the manager assuming the same duties , the compliance officer or the external auditor ;
- It shall review the Company's financial control, internal control and risk management systems;
- It shall discuss the internal control system with management and make sure that it fulfills its duty to develop an effective internal control system;
- It shall consider findings of main investigations into internal control issues to be assigned thereto by the board of directors or at the initiative of the Committee upon the approval of the board of directors
- It shall ensure coordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body.
- It shall review the Company's financial and accounting policies and procedures.
- It shall review the mission and action plan of the external auditor and material inquiries raised by the auditor to the management in respect of accounting records , financial accounts or control systems, respond thereto and approve the same ;
- It shall make sure that the board of directors responds on a timely basis to inquiries and material issues raised in the external auditor's mission ;

- It shall develop rules that enable the employees of the Company to secretly report any potential violations in financial reports. Internal control or other issues and adequate steps to conduct independent, fair investigations into these violations ;
- It shall oversee the scope of the Company's compliance with its code of conduct.
- It shall ensure application of rules of operation in connection with their duties and powers assigned thereto by the board directors.
- It shall make a report to the board of directors on the issues set in this clause ;and
- It shall consider any other issues as the board of directors may determine.
- In case the board of directors disapproves of the recommendations of the audit committee on the selection, appointment, resignation or dismissal of the external auditor, the board of directors shall include in the governance report a statement that explains the recommendations of the audit committee and causes of the board disapproval.

## 1.9 Remuneration Committee:

### 1.9.1 Principle:

The Company shall have a **Remuneration** committee, which will be known as the Business Management Committee for the overall Management of the Company's business operations and company staff needs and pass its recommendation for that to the directors of board.

### 1.9.2 Code Provisions:

The **Remuneration Committee** shall:

- Verification of ongoing independence of independent board members.
- Formulation and annual review of the policy on granting remuneration , benefits, incentives and salaries to board members and employees of the Company and the committee shall verify that the remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance .
- Determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection.
- Formulation , supervision of application and annual review of the Company's human resources and training policy; and
- Organization and follow-up procedures of nomination to the membership of the board of directors in line with applicable laws and regulations.

#### 1.10 Internal Audit:

##### 1.10.1 Principle:

The Audit Committee shall oversee the establishment and effective functioning of the Internal Audit Department of the Company, which shall report to the audit Committee. The Manager of Internal Audit shall hold the standard professional certification/s required for the position.

##### 1.10.2 Code Provisions:

1. *A company shall apply a precise internal control system that aims at developing an assessment of the Company's risk management means and measures, sound application of governance rules, verification of compliance by the company and its employees with applicable laws, regulations and resolutions that govern its operations, as well as internal procedures and policies and review of financial information that is forwarded to the company's senior management and used for drafting financial statements.*
2. *The board of directors shall issue the internal control system following consultation with the management and shall be put into implemented by an internal control competent department.*
3. *the board of directors shall determine the objectives, duties and powers of the internal control department that shall enjoy adequate independence to perform its duties and shall directly report to the board of directors.*
4. *The board of directors shall conduct an annual review to ensure efficiency of the internal control system in the company and its subsidiaries and disclose reached results to shareholders through the corporate governance annual report.*

*The annual review shall specifically cover the following elements:*

- a. *Basic control elements, including control over financial affairs, operations and risk management.*
- b. *Changes that take place since the last annual review has been conducted to the nature and extent of major risks and the Company's ability to response to changes of operations and external environment.*
- c. *Scope and nature of ongoing control by the board of directors over risks, internal control system and external auditors operations.*
- d. *Frequency of reporting to the board or the board committees on the result of control to enable the board to assess the position of internal control in the Company's and efficiency of risk management.*

- e. *Detected weakness and shortcomings of the control system or unexpected emergencies that have materially affected or may materially affect the performance or financial position of the Company; and*
- f. *Efficiency of the Company's operations in respect of financial Reporting and adherence to listing and disclosure rules.*
5. *The board of directors shall disclose in the corporate governance report the scope of a company's compliance with the internal control system during the report covered duration. Such disclosure shall cover:*
- *The mechanism of operation of the Company's internal control department.*
  - *the procedure that the company has adopted to determine, assess and manage considerable risks.*
  - *any additional information to assist understand operations of the Company's risk management and internal control system;*
  - *an acknowledgment by the board of directors confirming reasonability of the board for the application, review and efficiency the Company's internal control system ;*
  - *the procedure that the Company has adopted to review the efficiency of the internal control system ; and*
  - *the procedure that the Company has adopted to handle material internal control aspects of any serious problems that have been disclosed in the annual accounts and reports.*
6. *The board of directors shall make sure that Company's disclosures provide sufficient, accurate and true information for investors and reflect complete compliance with disclosure rules.*
7. *The company shall appoint a Compliance Officer who shall be charged with duties of verification of the compliance by the Company and its employee with issued laws, regulations and resolutions. One person may assume the positions of compliance officer and director of internal control department at the same time.*

## **1.12 Membership of employees in External Boards / Committees**

### **1.12.1 Principle**

Membership of Watania personnel, whether Management or Staff, in the Boards or committees of external entities, shall be subject to the approval of the Watania Board of Directors.

### **1.12.2 Code Provision**

1. In the event an employee receives an offer for working in the Board of an external company, including any subsidiary company of Watania or in committees of Organizations like the Chamber of

Commerce, humanitarian societies or councils, prior approval of the Board of Directors shall be obtained by such employees before acceptance of the offer.

2. The Board shall ensure that the proposed membership would not result in any conflict of interests, violation of laws and regulations, or impair the performance of his current responsibilities before granting its approval.

## **2. Compliance and Monitoring**

After approval of the corporate guiding principles contained within this document by the Board, they need to be clearly communicated to the Company at all levels of management.

Furthermore, the implementation of the principles, actions and recommendations contained within this document shall be monitored and all instances of non-compliance followed up.

The Board entrusts the Internal Audit department to ensure the entire Company's compliance with these corporate guiding principles. They will report to the Board on an annual basis all issues and developments relating to the implementation of the principles and any cases of non-compliance. Internal Audit Department, in fulfilling its obligations may engage outside experts to help in assessing the level of compliance.

A special review is to be conducted by the external auditors in order to give the Board independent assurance of the success of the implementation of the corporate guiding principles.

## **3. Quality Assurance**

This document shall be reviewed at least once every three years and examined against prevailing best practices. Unless an earlier revision is warranted due to changing situations, the next revision date for this document shall be after three years from the date of announce this policy.