



***Corporate Governance Code for
Shareholding Companies Listed on the Amman Stock
Exchange***

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Preamble

Rules of corporate governance have become one of the most important issues discussed in the world economies. They present an important factor that reinforces the success of economic and organizational reforms currently undertaken in the context of globalization; openness of economies towards each other; global competition; and in light of conditions and requirements of international organizations for accepting membership to countries or for dealing with countries of the world and with institutions and markets of these countries. Applying these rules and principles has become a slogan for public and private sectors, and a tool for enhancing confidence in any national economy and an evidence of the existence of fair and transparent polices for protecting investors and traders alike. It is also an indication to the level of professional commitments reached by the companies managements towards good governance, transparency and accountability, the existence of measures to limit corruption, and consequently raise the economy's attractiveness to local and foreign investments and bolstering its competitiveness.

This guide was prepared in view of the development of the national economy at all levels, and in line with the Jordan Securities Commission (JSC)'s efforts to develop the national capital market and its regulatory and organizational framework. It contains rules of corporate governance for shareholding companies listed at Amman Stock Exchange (ASE) for the purpose of establishing a clear framework that regulates their relations and management and defines their rights, duties and responsibilities in order to realize their objectives and safeguard the rights of all stakeholders. These rules are based principally on a number of legislations, mainly the Securities Law and related regulations, the Companies Law, and the international principles established by the Organization of Economic Cooperation and Development (OECD).

It should be noted that many of these rules are based on binding legal provisions in the above-mentioned laws. The rules did not delve in detail in many of the issues and requirements that they addressed. Instead, a general rule was established and the details were left to the relevant legislation. For instance, details of the information required in the company's annual report were not specified in the guide; these required details were left for the Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards.

It was decided that the application of these rules would initially be through "compliance or explain" approach, which means that companies must comply with the rules of the guide, and in case of non compliance with any of these rules, other than those based on a legal provision that is binding under responsibility, it would be necessary to explain clearly the reason for non compliance in the company's annual report. This approach is intended to give companies flexibility in implementing the corporate governance rules and sufficient time to adapt to them, in order to enhance awareness of these rules and to achieve full compliance gradually.

It is hoped that the managements of shareholding companies listed on the ASE would implement these rules, and that all stakeholders would encourage their implementation in order to build confidence in these companies through enhancing their management performance, and preserving the rights of all stakeholders, which in turn would enhance the performance of our national economy, and increase confidence in it and in the investment climate.

Chapter One - Definitions

The Company: A shareholding company listed on the ASE.

Relatives: The father, mother, brother, sister, spouse, and children.

Independent Member: A member of the board of directors who is not tied to the company or any of its upper executive management, affiliate companies, or its external auditors by any financial interests or relationships **other than his shareholding in the company** that may be suspected to bring that member benefit, whether financial or incorporeal, or that may affect his/ her decisions or lead to exploitation of his/ her position with the company.

The board member loses his independence in any of the following cases:

1. If he is, or has been, employed by the company or any of its affiliates during the last three years preceding his nomination for membership of the board of directors.
2. If any of his relatives is, or has been, employed in the executive management of the company or any of its affiliates during the last three years preceding his nomination for membership of the board.
3. If he or any of his relatives has direct or indirect interest in the contracts, projects and engagements signed with the company or any of its affiliates to the value of JD 50,000 (fifty thousand Jordanian Dinars) or more.
4. If the member or any of his relatives is a partner of the company's auditor, or if he is or has been a partner or employee of the company's external auditor during the last three years preceding his nomination for membership of the board.
5. **If the member has a control in the company of more than 10% of the company's capital.**

Non-Executive Board Member: A member who is not employed by, and who does not receive a salary from the company.

Related Party Transactions: Any deal or contract the value of which exceeds JD 50,000 (fifty thousand Jordanian Dinars) made between the company and any of the following parties:

1. The company's affiliate companies.
2. Members of the board of directors and upper executive management of the company.
3. Members of the board of directors or the management committee, upper management, and upper executive management of the affiliate company.
4. Any person who holds more than 5% of the shares of the company or one of its affiliates.
5. Relatives and partners of the above parties.
6. Saving funds of the company's employees.
7. The company's joint ventures with any other parties.

8. Companies under control of members of the board of directors and the upper executive management and their relatives.

Cumulative Voting: When each shareholder holds a number of votes equal to the number of shares that he owns, and he uses them to vote for one candidate for membership of the board of directors or distributes them among the candidates of his choice, without repeating these votes.

Stakeholders: Persons who have vested interests in the company, including its shareholders, employees, creditors, suppliers, and prospective investors.

Committees: Permanent committees formed by the board of directors, namely; the **Nominations and Compensations Committee, and Audit Committee.**

Insider at the Company: A person who has access to internal information by virtue of his position or function within the company, including the chairman and members of the board of directors and the company's general manager, financial manager **and** internal auditor, **the representative of the legal person, and relatives of the above- mentioned persons.**

Chapter Two: The Board of Directors of a Shareholding Company

1. The administration of the Company is entrusted to a board of directors whose members **shall be not** less than five and not more than thirteen, as determined by the Company's memorandum of association. Principles of good corporate governance require that board members be elected by the company's general assembly in a secret ballot, by means of cumulative voting system, provided that at least one third of the board members are independent members. **If the result in calculating the above- mentioned third is with a fraction, the fraction is removed by rounding the result to the following figure.**
2. The board of directors shall manage the company for the period specified in the company's memorandum of association, provided that this period must not be less than three years and not more than four years starting on the date of its election.
3. A legal board member person shall name a natural person to represent him during the board's term of office.
4. The board of directors represents all shareholders. It should exercise due professional care in managing the company, and devote the time needed to carry out its activities in honesty and transparency in order to serve the company's interests and realize its objectives.
5. **It is not allowed** for one person to hold the positions of chairman of the board of directors and **any executive position in the company** at the same time.
6. Member of the board of directors should be qualified and enjoys adequate knowledge and experience in administrative affairs. He should also be aware of relevant legislation and of the rights and duties of the board.
7. A member of the board of directors or his representative should not be a member of the board or a representative of a member of the board of directors of another company that has similar business, has **identical objectives**, or is a competitor thereof. In all cases, a natural person must not combine membership of the boards of more than five companies whether in his personal capacity or as a representative of a legal person.
8. The company **is not allowed** to **provide** a cash loan of any kind to the chairman or any member of the board of directors or to any of their relatives. Excluded from this condition are banks and financial companies that may advance loans to any of the aforesaid persons within the limits of these companies' objectives and in accordance with the same conditions that apply to all customers.
9. The company shall provide members of the board of directors with all information and data related to the company, to enable them to perform their duties and to be aware of all aspects related to the company's work.
10. The board of directors shall ensure that members of the executive management have the administrative and technical qualifications and experience that they need to carry out their duties.
11. The board may seek the opinion of any external consultant at the company's expense provided that the majority of board members approve the measure and that there is no conflict of interests.

12. The chairman of the board of directors or any board member or the company's general manager or its auditor is required, under legal responsibility, to notify the supervisory authorities concerned in any of the following cases:
 - A. If the company suffers financial or administrative disorders or if it suffers serious losses that affect the rights of its shareholders or creditors.
 - B. If the company's board of directors or any board member or the company's general manager exploits his/their powers and position/s in any manner that derives benefit to him/ them or to others in an illegal manner. This provision shall apply equally should any of the above refrain from carrying out this an activity that is required by law.
 - C. If the company's board of directors or any board member or the company's general manager perform any act that implies fraud, embezzlement, misrepresentation, forgery or betrayal of confidence in a manner that affects the rights of the Company, its shareholders or others.

Section One: Board of Directors Tasks and Responsibilities

The board of directors shall set an internal by-law to be reviewed annually, which defines in details the duties, powers, and responsibilities of the board of directors, including:

1. Setting strategies, policies, plans and procedures that realize the objectives of the company, serve its interests, maximize the rights of its shareholders, and serve the local community.
2. Setting necessary procedures to ensure that all shareholders, including non-Jordanians, enjoy their full rights and that they are treated in justice and equality without any discrimination.
3. Taking necessary measures to ensure compliance with the laws in force.
4. Setting a risk management policy to address the risks that the company may face.
5. Organizing the company's financial, accounting and administrative affairs by means of special internal regulations.
6. Preparing annual, semiannual and quarterly reports and annual preliminary results on the company's activities, including financial statements for each period in accordance with the laws in force. Dates of disclosure of these financial statements should be announced at least before three working days.
7. Setting the company's disclosure and transparency policy, and overseeing its implementation in accordance with the requirements of the regulatory authorities and the laws in force.
8. Setting procedures that forbid insiders in the company from using inside information to achieve material or moral gains.
9. Setting a clear authorization policy for the company identifying the authorized personnel and the limits of the powers entrusted to them.
10. Appointing the company's general manager and terminating his services.
11. Defining duties and powers of the company's executive management.
12. Taking necessary steps to ensure internal supervision on the company's work in progress, including ensuring compliance with the laws in force, the requirements of supervisory authorities, policies, plans and procedures set by the board of directors.
13. Reviewing and evaluating the performance of the company's executive management, and the degree to which it implements the strategies, policies, plans and procedures in force.
14. Setting a mechanism for receiving shareholders' complaints and suggestions, including those related to listing certain items on the agenda of the general assembly meeting, in a manner that would ensure that they are studied and that proper action is taken on them within a certain period of time.
15. Adopting criteria for granting incentives, compensations, and privileges to members of the board of directors and executive management, in a manner that serves the company's interests and realizes its objectives.
16. Setting a policy to organize relations with stakeholders in a manner that ensures fulfillment of the company's commitments towards them, safeguards their rights, provides them with adequate information, and maintains good relations with them.

17. Setting written procedures for implementing the rules of good corporate governance in the company and reviewing them annually to evaluate the degree to which they are implemented.

Section Two: Committees Formed by the Board of Directors

1. The board of directors shall form the following permanent committees:
 - A. The Audit Committee, whose tasks are defined under the “**Disclosure and Transparency Chapter.**”
 - B. The Nominations and Compensations Committee, whose main tasks are:
 - I. Ensuring the independence of independent members on a continuous basis.
 - II. Setting the policy of compensations, privileges, incentives, and salaries and to review them on a yearly basis.
 - III. Defining the company's needs of qualifications at the upper executive management and employees levels, and the criteria for their selection.
 - IV. Drawing the company’s human resources and training policy, monitoring its implementation, and reviewing it on an annual basis.
2. The committees shall be composed of not less than three non-executive members of the board of directors, at least two of whom must be independent members and one of the **two independent** members must preside over the committee.
3. The committees with the approval of the board of directors shall set written procedures that regulate their activities and define their duties.
4. The committees above- mentioned shall make their decisions and recommendations by an absolute majority vote by their members.
5. The committees shall submit their reports and recommendations to the board of directors, and a report on their activities to the company’s general assembly annual meeting.
6. The committees shall enjoy the following powers:
 - A. Requesting any information from the company's employees who should cooperate in providing this information fully and accurately.
 - B. Seeking legal, financial, administrative or technical advice from any external consultant.
 - C. Requesting the presence of any employee to provide the committee with more clarifications.
7. The board of directors may form committees to carry out specific tasks for limited periods of time in accordance with procedures that define issues related to the committee such as its mandate, duration and powers.

Section Three: Meetings of the Board of Directors

1. The board of directors shall be convened to meet by a written invitation from its chairman or by a written request submitted to the chairman by at least one-quarter of the board members, in the presence of the absolute majority of board members.
2. Voting on the board of directors' decisions shall be in person. Voting by proxy, by correspondence, or by any other indirect manner shall not be permitted.
3. Decisions of the board of directors shall be adopted by an absolute majority of members present at the meeting.
4. The board of directors shall meet at least once every two months, provided that the number of meetings in the fiscal year must not be less than six.
5. The board of directors shall appoint the secretary of the board who shall record minutes of board meetings and its decisions, as well as the list of members present and any reservations that they express in a special sequentially numbered register.

Chapter Three: General Assembly Meetings

1. The general assembly is composed of all shareholders who have the right to vote.
2. The general assembly shall hold an ordinary meeting at least once a year, provided that it takes place within the four months following the end of the company's fiscal year. The general assembly may also hold an extraordinary meeting at any time in accordance with the legislations in force.
3. The board of directors shall address an invitation to each shareholder to attend the general assembly meeting, which should be delivered either by hand, or **ordinary mail and e-mail** to the shareholder at least twenty one days before the date set for the meeting. Appropriate preparations should be made for the meeting, including the choice of time and place, in a manner that encourages and helps the largest **possible** number of shareholders to attend.
4. The invitation to the meeting should specify the place and time of the meeting. It should be accompanied by the agenda of the meeting which should include in detail and clear manner topics to be addressed, in addition to any documents or attachments related to these subjects. The rules of good corporate governance for companies require that no new topic should be addressed at the meeting that was not listed on the agenda sent previously to the shareholders.
5. A shareholder who wishes to nominate himself for membership of the board of directors shall send his CV prior to the end of the fiscal year preceding the year in which the meeting of the general assembly would meet to elect the board. The board shall attach this CV to the invitation to the general assembly meeting that it addresses to shareholders.
6. The board of directors shall announce the date and place of the general assembly meeting at least twice in three local daily newspapers and on the website of the company.
7. A shareholder may deputize another shareholder to attend the general assembly meeting in his place, by means of a **written proxy authorization**, or to deputize another person by means of **a judicial proxy** in accordance with the legislations in force.
8. The chairman of the board or, in his absence the vice-chairman shall preside over the general assembly meeting. Should they both be absent, the general assembly elects a chairman for the meeting. The number of board members present at the general assembly meeting must not be less than the number required to constitute a legal quorum for any board meeting.
9. The general assembly meeting shall be directed in a manner that allows shareholders to participate effectively, express their opinions freely, receive answers to their questions, and provide them with sufficient information that enables them to take their decisions.

Chapter Four: Shareholders' Rights

The company shall take appropriate measures to ensure that shareholders enjoy their rights in a manner that would achieve justice and equality **without** discrimination. These rights include mainly:

Section One: General Rights

1. **The company shall maintain** shareholders' ownerships records containing information including their names, number of shares they hold, any restrictions on ownerships, and any changes that occurred **to such**.
2. Access to shareholder records related to any shareholder for any reason **whatsoever**, and to the complete record for reasonable cause.
3. Access to information and documents of the company in accordance with the laws in force.
4. Receiving periodic and non-periodic information that is disclosed in accordance with legislations in force.
5. Participating and voting in general assembly meetings in person or by proxy with a number of votes equal to the number of shares that he holds in the company.
6. Receiving annual dividends within thirty days from the date of the decision taken by the general assembly to distribute them.
7. **Priority** to subscribe in any new share issuance by the company, before these shares are offered to other investors.
8. Filing a lawsuit against the board of directors or any of its members claiming compensation for damages incurred as a result of a violation of the legislations in force or of the company's **memorandum of association** or **any mistake or negligence** in administering the company, or of disclosure of company secrets.
9. Filing a lawsuit against the company's general manager or any of the company's employees claiming compensation for damages incurred as a result **of disclosing the company's** secrets.
10. Requesting an extraordinary general assembly meeting by shareholders who hold 25% of the company's subscribed shares.
11. Requesting an extraordinary general assembly meeting by shareholders holding 20% of the company shares to request the resignation of the chairman of the board of directors or any board member.
12. Requesting the audit of the company's activities and records by shareholders holding 10% of the company shares.
13. Filing a lawsuit to **contest** the legality of any general assembly meeting or to contest the decisions taken in that meeting within three months of the meeting.
14. Access to the minutes of the company's general assembly meetings.

Section Two: Rights within the powers of the General Assembly

The General Assembly enjoys wide powers, particularly the power to take decisions affecting the future of the company, which include:

1. Discussing the company's performance and its plans for the coming period with the board of directors.
2. Electing members of the board of directors.
3. Electing the external auditor.
4. Approving the financial statements of the company.
5. Amending the **articles of association and memorandum of association** of the company, particularly provisions related to the change in its objectives.
6. Issues related to merger, incorporation or liquidation of the company.
7. Dismissing the board of directors, the chairman or any board member.
8. Selling the company or acquiring another company.
9. Raising or lowering the company's capital.
10. Issuing corporate bonds convertible to shares.
11. Enabling the employees to own the company's shares.
12. Purchasing or selling the company's shares.
13. Selling the company's assets in full or a significant portion of the assets that might affect the realization of the company's objectives.

Chapter Five: Disclosure and Transparency

1. The company shall establish written work procedures in accordance with the disclosure policy adopted by the board of directors to regulate disclosure of information and follow up on the implementation of the policy in accordance with the requirements of the regulatory authorities and the legislations in force.
2. The company shall provide shareholders and investors with accurate, clear, timely disclosure information, in accordance with the requirements of the supervisory authorities and the legislations in force, in a manner that would enable them to take their decisions. This includes disclosures related to:
 - Periodic reports.
 - Material information.
 - Dealings of insiders and their relatives in securities issued by the company, including members of the board of directors and upper executive management.
 - Related party transactions.
 - The **privileges** of members of the board of directors and upper executive management.
3. The company shall organize its accounts and keep its books and records in accordance with the International Financial Reporting Standards (IFRS).
4. The company shall use its internet web-site to enhance disclosure and transparency, and to provide information.
5. The company shall disclose its policy regarding the local community and the environment.
6. No insider in the company may disclose inside information related to the company to parties other than the authorities concerned or the judiciary. **It is not allowed to trade in securities issued by the company or to urge others to trade in them based on inside or secret information, to achieve financial or incorporeal benefit.**

Section One: The Audit Committee

1. All members of the Audit Committee must have knowledge and experience in finance and accounting, and at least one of them must have worked previously in accounting or finance fields, and that person must have an academic or professional certificate in accounting, finance or related fields.
2. The Committee shall meet regularly, not less than four times a year, and minutes of its meetings must be taken appropriately.
3. The company shall put at the disposal of the Committee all facilities that it needs to perform its duties, including the authority to seek expert assistance whenever needed.
4. At least once a year, the Audit Committee shall meet with the company's external auditor, without the presence of the executive management or any person representing it.

Section Two: Duties of the Audit Committee

The Audit Committee shall undertake the task of overseeing and monitoring accounting and internal control and auditing activities in the company, including the following:

1. Discussing matters related to the nomination of the external auditor to ensure that he meets all the requirements stipulated in legislations in force, and to ensure his independence.
2. Discussing matters related to the work of the external auditor, including his, observations, suggestions, and reservations, pursuing the level of responsiveness of the company's management to them, and submitting recommendations to the board of directors accordingly.
3. Reviewing the company's **correspondence** with the external auditor, evaluating its contents, and providing comments and recommendations thereabout to the board of directors.
4. **Monitoring the company's compliance with Laws and regulations in force, and the requirements of regulatory institutions.**
5. Studying periodic reports prior to their presentation to the board of directors, and submitting recommendations thereabout, with emphasis on:
 - A. Any change in the company's accounting policies.
 - B. Any change in the company's accounts as a result of the auditing processes or the suggestions of the external auditor.
6. **Studying the external auditor's plan of work, and ensuring that the company provides him with all facilities needed to perform his work.**
7. **Studying and evaluating the internal control and auditing procedures.**
8. **Reviewing the external auditor's evaluation of internal control and auditing procedures**
9. **Reviewing the external auditor's reports, particularly those related to any violations revealed by the internal auditor.**
10. Submitting recommendations to the board of directors regarding internal audit procedures and the work of the external auditor.
11. Ensuring that no conflict of interest may arise from the company's transactions, contracts or projects with related parties.
12. **Reviewing and approving related party transactions prior to their ratification by the company.**
13. Any other issues determined by the board of directors.

Section Three: Powers of the Audit Committee

1. Requesting the presence of the external auditor if the Committee sees the need to discuss with him any issues related to his work at the company. It also has the authority to request clarifications or to seek his opinion in writing.
2. Submitting recommendations to the board of directors to nominate the external auditor for election by the general assembly.
3. Nominating a candidate to be appointed as the company's internal auditor.

Section Four: The External Auditor

1. The general assembly shall elect one or more licensed auditor/s to perform an external audit of the company in accordance with the international auditing standards, the requirements and rules of the profession, and the legislations in force.
2. The external auditor shall exercise his duties for one year renewable, provided that the renewal for the partner at the external auditor may not be for more than four consecutive years, and the re-election may not take place before a minimum of two years.
3. The company shall take appropriate actions to ensure the following:
 - A. The company's external auditor is not a founder, a shareholder, a member of its board of directors, or a partner or an employee of any member of the board of directors.
 - B. The external auditor does not perform any additional services to the company such as administrative or technical consultations.
 - C. The external auditor is independent in accordance with international auditing standards.
 - D. The external auditor performs his duties impartially without interference from the board of directors or the executive management.
4. The company is not allowed to appoint any employee of the external auditor office in the company's upper management **before at least one year from the date of his employment termination at the auditor's office.**
5. The company's external auditor should:
 - A. Possess a valid license to practice the profession.
 - B. Be a member of the Jordan Association of Certified Public Accountants.
 - C. Have practiced the profession on a full time basis for at least three consecutive years, after receiving his license to practice the auditing profession.
 - D. Have in his **firm** at least one **partner or employee** who must also meet the above- mentioned requirements.
6. External auditor's duties:
 - A. Performing the duties assigned to him in impartiality and independence.
 - B. Monitoring the company's operations.
 - C. Auditing the company's accounts in accordance with international standards and the **accepted** profession rules.
 - D. Examining the financial, administrative, and internal auditing systems of the company and submitting his opinion on their effectiveness and ensuring their suitability for the company's business and safeguarding of its assets.
 - E. Verifying ownership of the company's assets and the legality of its obligations.
 - F. Attending meetings of the company's general assembly.

- G. Answering questions and inquiries from shareholders with regard to the financial statements and closing accounts, at the general assembly meetings.
- H. Expressing opinion on the fairness of the company's financial statements, and to ask for their amendment if there is anything that affects their fairness.
- I. Reporting to the authorities concerned any violation of the law, or any financial or administrative issues that affect the company's situation negatively.