



# CORPORATE GOVERNANCE FRAMEWORK

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## **Mushrif Trading and Contracting Company**

### **Glossary**

<b>Term</b>	<b>Definition</b>
Mushrif or the Company	Mushrif Trading and Contracting Company
BOD or the Board	Board of Directors
CMA	Capital Markets Authority
CEO	Chief Executive Officer

## **Mushrif Trading and Contracting Company**

### **1. Introduction**

One of the most powerful trends in today's fast changing world is the fact that businesses and their leaders are increasingly confronted with the independence challenges between their company and its shareholders. As a result of this confrontation, the traditional primary role of business as a "profit maker" is challenged; good business performance should be more than merely profit-focused financial performance.

Companies around the world are recognizing the importance of establishing governance structures that harmonize a multitude of stakeholder expectations but do not distract the Board and management from fulfilling their roles as leaders of the Company. The Corporate Governance Framework provides the Company's Board, management and stakeholders with clear policies and guidelines to ensure that the Company's objectives are met whilst managing the stakeholder expectations.

The Board of Directors (the "Board") of Mushrif Trading and Contracting Company (hereinafter referred to as "Mushrif" or "the Company") is keen to adopt a sound Corporate Governance Framework that would enhance the overall governance environment within the Company and is in line with applicable leading practices, laws and regulations.

The Board remains determined in its endeavor to meet the requirements of the Corporate Governance Regulations issued by the Capital Markets Authority at a minimum, in terms of its disclosures to the legal authorities and its stakeholders. The Corporate Governance Framework adopted by the Company is governed by the following:

- The Company's Memorandum of Incorporation.
- The Company's Articles of Association.
- CMA's Corporate Governance related regulations issued by CMA.
- The provisions of Companies Law.

The Board, through concerned committees, shall oversee the implementation of the Corporate Governance Framework. The proper implementation and monitoring of the framework shall also ensure the Company's compliance with applicable laws and regulations.

The Board intends to review its Corporate Governance Framework and all related policies through concerned committees and departments on an annual basis or as and when needed at its sole discretion and to the extent required under any applicable Laws and Regulations. The Board will also ensure through such reviews that its Corporate Governance Framework remains in line with leading practices.

The table below shows the Framework version information relating to version number,

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date, section (s) amended (as per TOC), and page number where the change or addition has been made.

Sr	Version Number	Version Date	Section	Page Number	Approval
1					
2					
3					
4					
5					

Acknowledged and approved by Board of Directors on (date): \_\_\_\_\_

## **2. Mushrif's Corporate Governance Framework**

### **2.1. What is Corporate Governance**

Corporate Governance is a system of "controls and balances" designed to find the right balance between the interests of the different stakeholders of the Company (shareholders, management, employees, clients and society at large). As such, corporate governance is not only limited to legalistic matters, respect of regulations or risk management. Rather, corporate governance is pervasive throughout the Company.

Corporate Governance can be defined as a broad concept that is applied to the Company and its management for the purpose of creating value for its shareholders. Corporate Governance may also be seen as the implementation of control systems to prevent conflicts of interest and other improper conduct.

Corporate Governance in the legal context, is the system(s) by which the Company is controlled and, consequently, by which the role of the Board, its members and their relationships are defined. This document covers these areas in detail.

### **2.2. Pillars and Principles of Corporate Governance**

The CMA related Corporate Governance regulations have clearly defined 11 pillars for Corporate Governance. The pillars focus on the following:

- Strengthen Board Composition where highly qualified members are part of the Board.
- Roles and Responsibilities of Board and Executive Management are clearly defined
- Establishment of committees to ensure that adequately skilled and qualified members of the Board provide high quality advice to management and monitor the effectiveness of management's policies and decisions, including the execution of its strategies.
- Establishment of Sound Systems of Risk Management and Internal Controls.
- Ensure Timely and High Quality Disclosures in line with legal requirements and leading practices.
- Safeguard Integrity in Financial Reporting through ensuring independence and integrity of external auditor as well as having an Internal Audit function reporting to the Board through the Audit Committee.
- Recognize and Protect the Legitimate Interests of Stakeholders
- Encourage Enhanced Performance for Board and Executive Management.

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- Promote Ethical Standards and Responsible Conduct to limit, address and deal with conflict of interests.
- Promote Social Responsibility and achieve balance between the Company's goals and the society' goals.
- Respect the Rights of Shareholders to ensure fairness and equality among all shareholders irrespective of their levels

### 2.3. Benefits Of Implementing a Corporate Governance Framework

When challenged to make decisions as to whether the Board and management should invest the Company's resources - time, money, or both - the most obvious questions raised would be directed towards creating potential benefits from such investments. One of the vital and evident benefits of the framework is to ensure transparent disclosures and ensure assertions and efficiency or controls lead to enhancing the stakeholder's perceptions of the Company's governance framework.

Corporate Governance is about developing, maintaining, monitoring and controlling corporate structures and procedures to ensure that accountability, transparency, fairness and responsibility are embedded in the corporate decision making process. These elements combine to provide a level of comfort to the stakeholders, thereby giving the Company a competitive advantage when it looks for investors, suppliers and business partners.

Corporate Governance concepts are not limited to avoiding financial crisis nor emphasizing on the negative impacts of poor governance. Rather, positive benefits and rewards of good governance is be the primary concern of the Company.

Companies that adopt a high level of transparency, accountability and fairness will have a strong and sustained impetus to perform well and create value in the long term.

Companies with established Corporate Governance Frameworks can gain many benefits, such as:

- **Mitigating risks**
  - Effective Board oversight reduces risk of mismanagement and fraud.
  - Strong internal controls improve integrity of financials.
  - Promote a culture of compliance.
- **Winning confidence of the market**
  - Enhanced market trust from corporate governance leads to higher share price/lower cost of capital and access to wider pool of capital.

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- Improved corporate governance attracts prominent global investors.
- **Improving competitiveness**
  - A highly qualified and well-informed Board can go beyond oversight roles and create value added contributions to strategy and provide effective directions to management.
  - Rigorous Board oversight of Executive Management's succession management processes ensuring that the right people will be available to fill the right places at the right time.
  - Accurate information derived from strong internal controls can also contribute to better management decisions.

**2.4. Key Policies required in the Corporate Governance Framework**

The following are the key policies required by the CMA rules and regulations as part of the Corporate Governance Framework:

- Board and Executive Management Code of Conduct
- Shareholders Protection
- Stakeholders Protection
- Disclosure
- Conflict of Interest
- Whistleblowing
- Related Party Transactions
- Corporate Social Responsibility
- Remuneration

The Company has developed a separate policy for each of the policies listed above, each policy complies with applicable corporate governance rules and other applicable laws and regulations. The following is a brief description of the mentioned policies:

○ **Board and Executive Management Code of Conduct**

The Company has adopted a Code of Conduct and other internal policies and guidelines designed to comply with the laws, rules and regulations that govern the Company's business operations. Members of the Board and Executive Management are expected to exercise good judgment, to ensure the interests, safety and welfare of clients, employees and other stakeholders and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organization.

○ **Shareholders Protection**



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The Company is committed to protecting the rights of its shareholders in a way that guarantees the best interest of both shareholders and the Company. The Shareholders' Protection Policy assures that the rights of shareholders as established by relevant laws and regulations are respected and protected by the Company.

### ○ Stakeholders Protection

The Company is committed to protecting the rights of all stakeholders and creating stability and sustainability through a financially sound enterprise. The Stakeholders' Protection Policy is designed to outline parties considered as stakeholders of the Company and to set guidelines on how to protect rights.

### ○ Disclosure

In its new instructions on Corporate Governance to listed companies, CMA has emphasized on the need to provide accurate, comprehensive, detailed, sufficient, and timely disclosures to the Company's shareholders, stakeholders as well as relevant regulatory authorities. The disclosure policy outlines various disclosure channels and information that require disclosures by the Company, its Board, Executive Management or Informed Persons.

### ○ Conflict of Interest

The Company has developed its Conflict of Interest Policy, which sets out guidelines for the identification, reporting, disclosure, prevention, or strict restrictions of potential conflicts of interest.

### ○ Whistleblowing

This Policy is intended to encourage and enable employees to raise any concern or misconduct noted within the Company by offering a reporting and investigation mechanism that is objective, confidential and independent so that appropriate corrective action can be taken.

### ○ Related Party Transactions

The Company has developed a written policy for related party transactions in compliance with related CMA's regulations, which details the rules and procedures regulating transactions which may take place between the Company and its related parties.

### ○ Corporate Social Responsibility

The Company is keen to align its business values and strategy with social and economic needs while embedding responsible and ethical business practices into every activity carried out by the Company. This policy aims at guiding the Company in managing its Corporate Social Responsibility while providing the community with support required to achieve long-term

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business and social benefits and ensure that the Company consistently operates in a manner that minimizes detrimental impacts to society and environment.

### ○ Remuneration

The Company has developed the remuneration policy, which stipulates various categories of remuneration that can be granted to members of the Board and Executive Management as compensation for their role in the Company and in line with applicable laws and regulations

### **2.5. Consequences of Non-Compliance**

The Corporate Governance Regulations issued by the Capital Market Authority, require all listed companies to comply with the optimal governance practices contained in the regulations.

The Board is ultimately responsible in conjunction with BAC and Executive Management to take appropriate procedures in case of any non-compliance occur within the scope of this Framework.

Failure to comply with these regulations may result in severe consequences, ranging from internal disciplinary actions to termination of the employment or Board membership.

The violation of these regulations may also violate legal or regulatory requirements. If this appears to have occurred, the Company may refer the matter to the appropriate authorities, which could lead to penalties, fines or other legal action.

## **3. Board of Directors**

### **3.1. Board Structure**

Currently, the Board of Directors is composed of 7 members elected by the Ordinary General Assembly through secret election or appointed in the Board to represent key shareholders. The Board has also established Board Committees as explained in section 3.3 of this document.

The areas that should be considered in forming the BOD are explained in detail in the BOD Charter.

### **3.2. Board Roles and Responsibilities**

The primary responsibility of the Board is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to balance the interests of its clients, employees, vendors and local communities. The Board is responsible for reviewing the development and execution of strategies,

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reviewing the selection, performance and compensation of the Chief Executive Officer and Executive Management and ensuring transparency of communication and disclosure of financial and non-financial information at a minimum. The Board may delegate oversight of key areas of responsibility to specific committees who report to the Board with their recommendations. Each committee will have specific charters that define its scope and authority, Board members assigned to these committees will have the necessary understanding of the tasks and responsibilities assigned to the committee.

In all actions taken by the Board, the Board members are expected to exercise their business and professional judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, Board members may rely on the honesty and integrity of the Company's Executive Management and its outside advisors and auditors.

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

The Board will have the necessary competencies, adequate experience and sufficient information so as to play a meaningful role in the development and review of the business strategy and for overseeing its implementation. The Board will have access to sufficient developmental resources to ensure that their personal skills are well aligned with the needs of the Company as well as the evolving regulations and standards.

The Board is committed to creating long-term value for its stakeholders while operating in an ethical, legal, environmentally sensitive and socially responsible manner. Towards that goal, the Board has predefined roles and responsibilities that are explained in detail in the BOD Charter.

### **3.3. Board Committees**

The Company's existing committees of the Board are:

- Board Risk & Audit Committee (BRAC)
- Board Nomination and Remuneration Committee (BNRC)

Other committees may be established from time to time by an affirmative vote of the majority of the Board.

Each committee has its own written charter, which complies with the applicable corporate governance rules and other applicable laws and regulations. The charters set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member

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appointment and dismissal, committee structure and operations and reporting to the Board.

The names of Committee's' members, their Chairs and the number of meetings held will be disclosed in the annual Report.

Below is a brief about each Committee:

○ **Board Risk Committee (BRC)**

This committee aims at promoting effective Board supervision on significant transactions within the Company. The Committee is responsible for all aspects of enterprise risk management including, but not restricted to strategic, market, compliance and operational risks.

○ **Board Audit Committee (BAC)**

The committee is responsible for assisting the Board in fulfilling its responsibilities related to the oversight over the quality and integrity of accounting, auditing, internal controls, risk management framework and financial reporting practices of the Company as well as the Company's relationship with its external auditors.

○ **Board Nomination & Remuneration Committee (BNRC)**

This committee is responsible for recommending Board Members and Executive Members appointment, facilitating the annual self-assessment process of Board performance as well as overseeing the training and development process of the Board and Executive Management.

This committee is also responsible for evaluating the compensation and remuneration of the members of the Board and Executive Management with regard to the long-term objectives of the Company.

#### **4. Management's Role in Corporate Governance**

The Executive Management leads the Company's business and operations by managing the day-to-day activities and operations.

The management's role in achieving effective Corporate Governance is very crucial. The Company recognizes that business is more competitive than ever and the fundamental economic and competitive forces are relentless. To ensure that the Company can take full advantage of the resources at its disposal, it is vitally important that it finds a way to properly balance the need to address these competitive forces with the need to consistently "do the right thing". The Chief Executive Officer has a vitally important and crucial role to play in achieving and maintaining this difficult balance.

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Factors such as resolution of differing points of view, communicating within the Company, dealing with failed initiatives or missed opportunities and results and incentivizing right behavior of employees become important issues which, if dealt with in the appropriate manner can lead to greater benefits in the long term.

### **4.1. Relationship between the BOD and Executive Management**

Management will be involved with certain Board Committees and this sharing of knowledge and pooling of expertise can lead to great benefit for the Company. The Board, in approving the charters for various committees, recognizes the important role management has to play and has given those committees sufficient authority to involve management in their meetings and discussions to the extent where committee members feel this will benefit the quality of recommendations and the decision making process, to ensure an effective oversight role of the Board over the Executive Management of the Company. The Board shall also be responsible for appointing Executive Management and monitoring their performance in coordination with the Board Nomination and Remuneration Committee.

The charters for the various Board committees as listed in section 3.3 of this document provide more details on the scope and responsibility of each of the Board committees.

To facilitate the Board's oversight role, the Executive Management shall provide the Board and concerned committees with periodic performance reports, which illustrates performance of the management during a given period against Key Performance Indicators set by the Board.

### **4.2. Key Responsibilities of the Executive Management**

The Executive Management shall carry out the following responsibilities as delegated by the Board of Directors and in accordance to laws and regulations issued by the CMA and related regulatory authorities:

- Execute strategic plans of the Company as well as related policies and bylaws and ensure its adequacy and effectiveness.
- Ensure that an integrated accounting system is in place for proper bookkeeping and recording that reflects financial and income statements precisely and in detail to enable maintaining the Company's assets properly.
- Review prepared financial statements in accordance with the International Accounting Standards adopted by the CMA.
- Review and approve periodic reports (financial and non-financial) in regards to achieved progress, in business activities in line with the Company's strategic plans and objectives, and present the same to the Board of

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Directors.

- Manage the day-to-day operations as well as managing the Company's resources to ensure profit optimization and cost reduction in accordance with the Company's strategy and objectives.
- Ensure that internal control and risk management systems are in place, monitor the adequacy and effectiveness of such systems and ensure compliance with the Company's risk appetite approved by the Board of Directors.
- Effectively participate in creating a work environment based on ethics and values.

### **5. Risk Management Function's Role in Corporate Governance**

The Risk Management Function will encompass all areas of the Company where risks exist or may arise. The Risk Management Function will ensure that the overall risks of the Company are effectively managed. All employees of the Company have a role to play in the management of risks. Risks will be proactively managed within the Company, the Risk Management Function will be flexible enough to incorporate any new businesses the Company undertakes

The Board shall ensure that sufficient management resources are allocated to the identification, assessment and appropriate treatment of business risks.

### **6. Internal and External Auditors roles in Corporate Governance**

#### **6.1. Internal Audit**

One of the fundamental components of the Corporate Governance Framework is the internal audit function. The Board will ensure that an adequately resourced and suitably qualified Internal Audit Function is in place, which will play a critical role in providing the Board and Executive Management with an objective and comprehensive view of the business.

The Internal Auditor will understand and document the business processes, identify risks and controls and validate that the controls are effective in mitigating risks. The Internal Audit Function will also confirm adherence to policies and standards of conduct.

#### **6.2. External Audit**

The External Auditors will express an opinion on the fairness with which the Company presents its financial position, its results of operations and its cash flow. The Board will ensure that the External Auditors devote sufficient time, resources and skill to understand the business processes and transactions as

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part of the procedures for the audit of the financial statements. The Board will also ensure that all points reported in the independent auditor's management letter or equivalent, are properly addressed by Management.