



RELATED PARTY TRANSACTIONS POLICY

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Version 1.0

Contents

Glossary	1
1. Introduction.....	3
2. Identification of Related Parties.....	5
3. Notification Of Related Party Transactions.....	5
4. Review Of Related Party Transactions.....	7
5. Disclosure of Related Party Transactions.....	7
6. Approval of Related Party Transactions.....	9
7. General Guidelines.....	9

Mushrif Trading and Contracting Company

Glossary

Term	Definition
Mushrif or the Company	Mushrif Trading and Contracting Company
BOD	Board of Directors
CMA	Capital Markets Authority
Policy	Related party transaction policy
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Related Party	<ol style="list-style-type: none">1. A party that owns a controlling share in the Company either directly or indirectly.2. A party that is a subsidiary.3. A party that is a member of the same group in which the Company is part of.4. A party that is a member in the Company's Board or Executive Management.5. A party that is a relative of parties mentioned in point (1) and (4) above.6. A party that is under the control, joint control or significant influence of parties mentioned in point (4) and (5) above based on the voting power they possess directly or indirectly.
Related Party Transaction	A transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged in return.
Control	The power to govern the financial and operational policies of an entity so as to achieve benefits from its activities.
Joint Control	The contractually agreed sharing of control over an economic activity.

Mushrif Trading and Contracting Company

Term	Definition
Key Management Personnel	Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) with such authority within the entity.
Significant Influence	The power to participate in the financial and operational policies related decisions of an entity, but does not have control over those policies. Significant influence may be gained by shares ownership, statute or agreement.
Government	Refers to government, governmental entities locally, regionally or internationally. Wherein, Government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

1. Introduction

Mushrif Trading and Contracting Company (hereafter referred to as "Mushrif" or "the Company") recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its stakeholders' best interests.

This policy has been prepared in line with the Corporate Governance related regulations issued by the Capital Markets Authority and other related regulatory requirements. The policy is considered as part of the Company's Corporate Governance Framework.

1.1 Purpose

This policy have been developed to ensure that a mechanism is in place to review all transactions that take place with related parties, identify cases where a potential or actual conflict may arise and properly handle such cases in a timely manner, this policy should be read in conjunction with the Company approved **Conflict of Interest Policy**.

This policy covers the Process for identifying and handling related party transactions which includes:

- Identification and Notification for the Related Party Transaction
- Review of related party transactions
- Disclosure of related party transactions

1.2 Scope

This policy is applicable for all employees within the Company. Wherever the provisions of this Policy contradict with any newly issued statutory or regulatory requirements, the statutory and regulatory requirements will take precedence over the provisions of this Policy till the policy is properly updated and approved.

1.3 Custodian

The Board Secretary shall have the custody over the master copy of this policy. The contents of this Policy, other than areas to be disclosed on the Company's website, are confidential and are intended for internal use of the Company only.

This Policy document should always be kept in a read-only status and must not be copied or revealed to third parties without the expressly written permission of the Board.

Requests for circulation of soft copies of this Policy are to be made only to designated personnel.

1.4 Responsibility for Implementing the Policy

The Chief Financial Officer (CFO) in coordination with the Risk Management Function shall have the responsibility to monitor the implementation of this policy and periodically review and

Mushrif Trading and Contracting Company

assess ongoing relations with related parties to ensure that they are in compliance with the set guidelines.

1.5 Policy Revision

The Chief Financial Officer (CFO), in coordination with the Risk Management Function, shall be responsible for reviewing the policy on an annual basis or when needed/, taking into account the extent of compliance with laws and regulations issued by the relevant regulatory body (CMA) and others regulatory entities, in addition to the need to amend the policy approved by the Board of Directors. Proposals for amendment on the policy shall be submitted to the CEO, which in turn would submit his/ her recommendations in regards to proposed amendments to the Board of Directors for approval. Once the changes are incorporated in the Policy, the relevant page (or pages) will be updated by the version and the date.

The table below tracks the manual revision and changes made. In the "Page Number" section, links will direct the user to the mentioned page to promptly trace such changes.

Sr.	Version No.	Version Date	Section	Page Number	Approval
1					
2					
3					
4					
5					

Approved by **Board of Directors** on: _____

2. Identification of Related Parties

- 2.1. The Company shall maintain a list of all parties which are considered of interest to the Company, the CFO in coordination with the Risk Management Function is responsible for preparing and updating the list when needed. Such list should be developed based on a form filled by the BOD members and Executive Management (for more information, refer to **Disclosure Policy**).
- 2.2. The list of related parties shall be approved by the CEO and shall include the following information as a minimum:
- Name of the related party.
 - Nature of the relationship between the Company and the related party.
- 2.3. The list shall also cover investments' transactions (sale and purchase of securities or any type of investment) along with the Company's percentage of ownership in each investment, the list shall include the following at minimum:
- Number of shares.
 - Percentage of ownership.
 - Voting power (and whether such power grants the Company a significant influence).
 - Market value of each investment.
- 2.4. Concerned departments shall be notified of the list and any subsequent updates once the list is approved by the CEO to enable the departments to identify related parties and report any existing or potential transactions in a timely manner given that confidentiality of information included in the list is properly considered and maintained.

3. Notification Of Related Party Transactions

- 3.1. The responsibility to identify and report related party transactions lies with concerned departments executing such transactions, the Head of concerned department shall officially notify the CFO of any suggested transaction that takes place with a related party and attach all supporting documents related to the reported transaction before they are implemented. The CFO should be notified immediately notified in the following cases in particular:
- 3.1.1. New investment in a related party that the Company recently acquired.
- 3.1.2. Any investment has shifted to be a related party investment due to raising the holding percentage of the investment to (20% or more of voting or equity shares) or encountering a significant influence on the entity.
- 3.1.3. Any investment that has been shifted from a related party investment to any type of investment (Fair value, Available for sale, etc.) due to partial sale of the investment or losing voting powers or significant influence over the entity.

Mushrif Trading and Contracting Company

- 3.1.4. Upon completion of the annual procedure to disclose any direct and indirect interests in case this procedure resulted in discovering related party transactions.
- 3.2. The following are additional examples of transactions that, if incurred with a related party, would require notification to the CFO:
 - 3.2.1. Purchases or sales of goods (finished or unfinished).
 - 3.2.2. Purchases or sales of property and other assets.
 - 3.2.3. Rendering or receiving of services.
 - 3.2.4. Leasing contracts.
 - 3.2.5. Transfers of research and development.
 - 3.2.6. Transfers under license agreements.
 - 3.2.7. Transfers under finance arrangements (including loans and equity contributions in cash or in kind).
 - 3.2.8. Commitments to do something if a particular event occurs or does not occur in the future.
 - 3.2.9. Settlement of liabilities on behalf of the Company or by the Company on behalf of that related party.
- 3.3. The notification shall include:
 - 3.3.1. Description of the transaction.
 - 3.3.2. The amount of the transaction.
- 3.4. In considering each possible related party's relationship, attention is directed to the substance of the relationship and not merely its legal form. In the context of the International Accounting Standards, the following are not related parties:
 - 3.4.1. Two entities where a director or other member of key management personnel in common or where a member of key management personnel of one entity has significant influence over the other entity.
 - 3.4.2. Two ventures sharing joint control over a joint venture.
 - 3.4.3. Providers of finance, trade unions, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence the Company.
 - 3.4.4. A customer, supplier, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

4. Review Of Related Party Transactions

- 4.1. Upon receiving the notification from concerned departments, the CFO shall review such notification to ensure a conflict of interest does not exist or that an improper valuation of such transaction is not made and that all information necessary to disclose such related party transaction is properly documented.

Mushrif Trading and Contracting Company

- 4.2. The CFO shall be provided with the material facts of all new, existing or proposed related party transactions (including the terms and business purpose of the transaction); the CFO shall then review transaction and submit the same to the Risk Management Function for review and presentation to the Board Audit Committee. In case a potential or actual conflict arise, the same shall be discussed with concerned departments and the CEO, transaction shall then be referred to concerned party within the Company to take necessary actions required to handle reported conflict (for more details, refer to **Conflict of Interest Policy**).
- 4.3. In assessing a related party transaction, the following are examples of factors that should be considered:
 - 4.3.1. The business reasons for the Company to enter into the related party transaction.
 - 4.3.2. The commercial reasonableness of the terms of the related party transaction.
 - 4.3.3. The materiality of the related party transaction to the Company as well as the related party.
 - 4.3.4. Whether the terms of the related party transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a related party (arm's length basis).
 - 4.3.5. The actual or apparent conflict of interest of the Related party participating in the related party transaction.
- 4.4. As part of periodic reporting, the CFO, in coordination with Risk Management Function, shall present all related party transactions along with review results to the Board Audit Committee, the committee shall in turn review such transactions and present it to the Board.

5. Disclosure of Related Party Transactions

- 5.1. The Company shall ensure that financial statements contain all required disclosures with respect to related party transactions and its impact on the Company's financial position and profit/ loss rates. Disclosures should be consistent with CMA regulations and International Accounting Standard No. 24.
- 5.2. To enable the Company to disclose the information in a proper way, the CFO should be responsible for the following:
 - 5.2.1. The CFO in coordination with the Risk Management Function along with the IT Function shall update the Company's ERP System where possible with the list of current related parties on monthly basis to ensure that an alert is given when the transaction recorded is a transaction with a related party.
 - 5.2.2. All supporting documents or contracts signed with related parties and a register of all related party transactions along with percentages of ownership (if any) shall be maintained.

Mushrif Trading and Contracting Company

- 5.3. The Company shall be committed and responsible for reporting to CMA concerning its' related party transactions which require disclosure according to applicable laws and regulations (for more details, refer to **Disclosure Policy**).

5.4.Areas To Be Disclosed

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose at minimum:

- 5.4.1. The nature of relationship with related party as well as the following information related to the transaction:
- Transaction Amount.
 - Amount of outstanding balances, including commitments.
 - The terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement.
 - Details of any guarantees given or received.
 - Provisions for doubtful debts related to outstanding balances.
 - The expense recognized during the period in respect of bad or doubtful debts due from related parties.

5.5.Methods Of Disclosure

The disclosures mentioned above shall be made separately for each of the following categories:

- The parent.
 - Entities with joint control or significant influence over the Company.
 - Subsidiaries.
 - Associates.
 - Joint ventures in which the entity is a venture.
 - Key management personnel of the Company or its parent.
 - Other related parties.
- 5.6. The classification of amounts payable to, and receivable from, related parties in the different categories mentioned above is an extension of the disclosure requirement in IAS 1 related to Presentation of Financial Statements for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances.
- 5.7. Items of similar nature may be disclosed in aggregate except when separate disclosure is necessary for a better understanding of the effects of such transactions on the Company's financial statements.

6. Approval of Related Party Transactions

Mushrif Trading and Contracting Company

Related Party Transactions shall be approved by the AGM as part of the Company's Financial Statement's approval process.

7. General Guidelines

- 7.1. Members of the Board and Executive Management shall not participate in deliberations, discussions or decisions related to a related party transaction in which they have an interest in.
- 7.2. Should there be any related party transaction executed out of the scope of this policy, the employee responsible for permitting the transaction shall be held responsible. The Company has the right to terminate the transaction if deemed necessary. Additionally, the Board should be notified of such transaction immediately through the Board secretary.
- 7.3. Members of the Board and Executive Management are responsible for ensuring the accuracy of disclosure related to the Company's related parties. In cases any violation occur in that regard, the Board shall be ultimately responsible to take appropriate actions.