

Ministerial Decision 173/2002

On the rules and conditions for election of directors of public joint stock companies and their responsibilities

Pursuant to the provisions of the Commercial Companies Law No. 4 / 74 as amended; and

In the Interest of the public

I has been decided

Article (1): The enclosed Rules and Conditions on the election of directors in public joint stock companies and their responsibilities shall be come into force.

Article (2): Public joint stock companies must amend their Articles of Association to comply with these rules and conditions.

Article (3): This decision shall be published in the official gazette and shall come into force with effect from its date of publication.

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Minster of Commerce and Industry

Issued on: 16th Sha'ban 1423H

Corresponding to: 23rd October 2002

Rules and conditions for the election of directors in public joint-stock companies and their responsibilities

- Article (1):** 1. The directors shall be non executives and shall not be working for the company in consideration of a fixed monthly or annual remuneration.
2. A minimum of one third of the directors must be independent directors, provided however, their number shall not be less than two independent directors.

The director shall not be deemed independent in any of the following cases:

- (a) If holds ten percent (10%) or more of the company shares or the shares of parent company or subsidiary or associate companies.
 - (b) If representing a juristic person who holds ten percent (10%) or more of the company's shares or the shares of parent company or subsidiary or associate companies.
 - (c) If a senior executive or employee of the company during the two years preceding the candidacy as director , or parent company or subsidiary or associate company. Or an employee of any of the parties contracting with the company including external auditors, suppliers and civil societies who received a support of more than 25% of the annual budget of such societies or holding twenty percent (20%) of the shares of any of the said parties..
 - (d) If a director of the parent company or subsidiary or associate company of the company to which he stands as candidate for its board.
 - (e) If a first degree relative of any of the directors of the company or parent company or subsidiary or associate company and senior executives in the management of the company or parent company or subsidiary or associate company.
 - (f) If have financial or economic relationship with the company or any of its subsidiaries or held by it or associates.
3. A minimum of one third of the directors must be independent directors. That is to say, such directors or any of their first degree relatives should not have occupied any senior post (such as the

Chief Executive Officer, the General Manager or similar posts in accordance with the organizational structure) in the company for the last two years. Also they should not have had any relations with the company, its parent company or its affiliated or sister companies which could result in financial transactions.

4. The restriction stipulated by Article 95 of the Commercial Companies law must be observed upon the election of the chairman of the board.
5. A juristic person shall not be represented with more than one director in the board.

Article (2): Subject to Articles 95 and 107 of the Commercial Companies Law, nominees to the membership of the board, in addition to the stipulations of the Articles of Association of the company, must:

1. be of good conduct and sound reputation;
2. be at least 25 years old;
3. not be unable to settle his indebtedness to the same company to which he is lodging his nomination forms to become a member of its board of directors;
4. not be declared insolvent or bankrupt unless the state of insolvency or bankruptcy has ceased pursuant to the law;
5. not be convicted of a felony or dishonorable crime unless rehabilitated;
6. not be a member or a representative of a juristic person in more than four public joint stock companies based in the Sultanate of Oman once appointed to the board in question;
7. be authorised to nominate himself to the membership of the board of directors by the juristic person if he is nominated with such capacity;
8. Not be an employee or director of a public or closed joint stock company which is based in the Sultanate of Oman carrying out similar objectives to that of the company which he intends to stand as candidate for its board of directors.
9. present an acknowledgement which contains a statement

of the number of his shares if he is a shareholder and that he will not dispose of them to the extent that he shall be deprived of his status as a shareholder in the company, throughout the term of his office.

Article (3): Those who wish to nominate themselves to the membership of the company's board must submit an application form pursuant to the pro-forma prepared by the Capital Market Authority during the specified period which expires at least 10 days before the date fixed for the general meeting which will be electing the board's members.

The company shall review the nomination application forms to ensure that the candidates satisfy the required conditions. The company shall lodge the forms with the Capital Market Authority at least 4 days before the expiry of the term mentioned in the previous paragraph.

Article (4): The directors shall be elected by direct secret ballot by the shareholders. Each shareholder shall have a number of votes equal to that of the shares held by him. A shareholder shall have the right to use the entirety of his votes in support of one nominee or divide his shares among other nominees of his choice through the voting card. It follows from that that the total number of votes given to the nominees by one shareholder must be equal to the number of shares owned by him.

Article (5): The membership of those elected in violation of the previous provisions shall be null and void with effect from the date of their election. The company's board must call a general meeting to elect another member within a maximum period of one month from being aware of the nullity. The company shall have the right to claim damages, which results from this violation, from the said member or anyone who took part in facilitating his participation in the elections .

If a director falls short of any of the conditions necessary for the membership, he must notify the board accordingly. The office of such director shall be considered vacant with effect from the date of notification, otherwise, he shall cease to be a director with effect from the time when the company became aware of this without prejudice to his liability under the law. The vacant

office shall be filled pursuant to the provisions of Article 98 of the Commercial Companies law.

Article (5) bis: “ Where a general meeting is held to elect the directors and the number of candidates is less than the number of directors specified in the Articles of Association of the company, the general meeting shall be called to convene latest within two months from the date of the aforementioned meeting to elect the remaining number of directors after taking nomination procedures.”

Article (6): Directors of a public joint stock company shall be jointly liable, without prejudice to their personal or criminal liability, for their acts which violate the provisions of the Commercial Companies law or which are in detriment of the company or the shareholders’ rights as a result of failing to assume their powers and responsibilities and particularly the powers set out in the following article.

Article (7): The board of directors shall be responsible for the following:

1. To approve the company’s commercial and financial policies together with its estimated budget with a view to achieving the objects of the company and to maintain and promote the rights of its shareholders;
2. To develop, review and update necessary plans from time to time in order to put into operation the company’s objectives and carry out its activities in the light of the purpose underlying its establishment;
3. To adopt the company’s disclosure measures and to follow up the implementation thereof in accordance with the disclosure rules and guidelines issued by the Capital Market Authority;
4. To supervise the performance of the executive management and to ensure that the work proceeds in a manner which achieves the company’s objectives in the light of the purpose underlying its establishment;
5. To provide accurate information to the shareholders on the dates specified by the Capital Market Authority in the disclosure rules and guidelines;
6. To appoint the Chief Executive Officer or the General Manager provided that neither of them shall be the chairman of the board of directors. Also, to appoint staff who shall work with

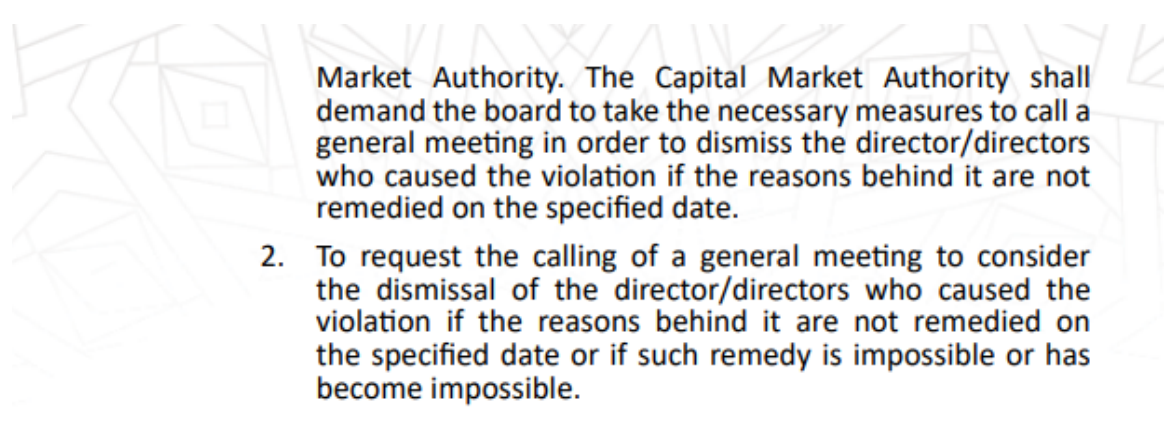
any of them pursuant to the organisational structure of the company and to specify their rights and duties;

7. To appraise the performance of the employees mentioned in the previous item and to assess the work carried out by the committees formed by the board pursuant to article 102 of the Commercial Companies law;
8. To approve the financial statements related to the company's business and work results as submitted to the executive management to the board quarterly in away which reflects the exact financial position of the company;
9. To include in the annual report presented to the general meeting the reasons which justify the ability of the company to pursue its specified activities and the achievement of its objectives;
10. To appoint a secretary to the board in its first meeting and to hold four meetings per annum provided that a maximum period of four months should lapse between each two consecutive meetings;
11. Formation of subcommittee to be named "***Nomination and Remuneration Committee***" to undertake consideration of candidacy applications for the board of director and to determine the directors' remuneration.
12. To include in the financial statements a full statement of all amounts which a director might have received during the course of each year including money paid to directors in their capacity as employees of the company.

Article (7) bis: "Directors of public joint stock companies shall not interfere in the daily business of the company nor any of them can act as managing director.

Article (8): The Capital Market Authority shall conduct an investigation into the violations of a director/directors of public joint-stock companies which jeopardizes the capital market or the rights of shareholders. If the occurrence of such violations is proved, either of the two following measures shall be taken without prejudice to the provisions of law relating to liability:

1. To request from the board of directors to eliminate the causes of violation by a date to be specified by the Capital



Market Authority. The Capital Market Authority shall demand the board to take the necessary measures to call a general meeting in order to dismiss the director/directors who caused the violation if the reasons behind it are not remedied on the specified date.

2. To request the calling of a general meeting to consider the dismissal of the director/directors who caused the violation if the reasons behind it are not remedied on the specified date or if such remedy is impossible or has become impossible.