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REVIEW OF JORDANIAN SECURITIES COMMISSION DISCLOSURE INSTRUCTIONS

Key Findings, Summary Analysis and Draft Revisions

February 22, 2008

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REVIEW OF JORDANIAN SECURITIES COMMISSION DISCLOSURE INSTRUCTIONS

Key Findings, Summary Analysis and Draft Revisions

SUSTAINABLE ACHIEVEMENT OF
BUSINESS EXPANSION AND QUALITY (SABEQ)

CONTRACT NUMBER: 278-C-00-06-00332-00

BEARINGPOINT, INC.

USAID/JORDAN
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CONTENTS

EXECUTIVE SUMMARY1

SUMMARY OF KEY RECOMMENDATIONS3

DISCLOSURE INSTRUCTIONS ACTION PLAN 6

DRAFT AMENDMENTS TO DISCLOSURE INSTRUCTIONS..... 16

EXECUTIVE SUMMARY

Introduction

Maintaining public confidence in Jordan's capital markets is key to increasing the availability of funds to Jordanian companies to expand their output and employment. Disclosure of comprehensive and accurate information to investors by companies listed on the Amman Stock Exchange (ASE) is, in turn, a key component of maintaining public confidence. The Jordan Securities Commission (JSC) has expressed a desire to improve significantly the disclosure regime for listed companies and has requested SABEQ assistance in this effort. The issues identified by the JSC included, among other things:

- The possible need to update the Securities Law No. (76) for the Year 2002 and relevant instructions to reflect best international practice in the area of disclosure;
- The desire to introduce an electronic submission process for required disclosures to replace the current manual process, to promote not only timeliness of investor access to disclosures but also standardization of disclosures on forms and templates;
- The need to address the practice of "disclosures" of "material events" that are spurious or promotional in nature and the practice of paid advertisements directed at investors that may be inaccurate or misleading;

Report Deliverables

This report contains three preliminary deliverable outputs relating to recommended changes and enhancements to the Jordanian Disclosure regime resulting from a detailed review of the JSC Disclosure Instructions and ASE Listing Directives, and interviews with managerial staff from the relevant JSC and ASE departments. More specifically, the three deliverables, which follow this summary, are:

- A Summary of Key Disclosure Instruction Recommendations;
- An article-by-article, matrix action plan summary of findings, recommendations and commentary to revise JSC Disclosure Directives in accordance with International Best Practices and to improve filed document processing; and,
- A revised set of draft JSC Disclosure Directive Amendments in "red-lined" format consistent with findings and recommendations.

Key Observations

- The JSC and ASE should consider adjusting their regulatory frameworks and operational processes to a more risk-based approach to market oversight, which would take best advantage of the efficiencies offered by the IT infrastructure already have in place, including support for converting paper-based disclosure-related filings to an electronic filing process.
- Minor "low-cost" improvements in JSC Disclosure Department scanning equipment would yield significant interim time-savings and improvements in listing department efficiency. This would also close the time-gap between issuer filings and the public disclosure of the content of such filings.

- The JSC should look to eliminate duplicative, paper-based filings where the capacity exists already to monitor such transactions more efficiently on an electronic basis.

SUMMARY OF KEY RECOMMENDATIONS

1. Revamp Disclosure Filing Process

- Current Disclosure Dept. filing, scanning and posting process is slow and inefficient
- Current scanner is outmoded
- Scanning, Adobe PDF and networking features on high-speed copying machine not implemented
- Current disclosure process is not capturing data for use by industry and regulatory stakeholders.
- **Short-term:** Enable scanning, Adobe PDF and networking features on high-speed copying machine or upgrade – possible 83% improvement in processing time.
- **Medium Term:** Consider creation of Reporting Information System (RIS) as a stand-alone process and/or in connection with development of an e-filing system.
- RIS would replace need for separate issuer publishing requirement as disclosures would be electronically ‘disclosed’ post JSC filing to financial and investment community and media by multiple methods – e.g. email, SMS, web-postings, e-fax.
- E-filing system will support trend toward risk-based principles of supervisory oversight

2. Disclosure Process Changes

2.1 Convert insider transaction paper filing to internal electronic monitoring process

- Expand JSC January 22, 2007 decision for public disclosure of transactions and holdings to other all defined insiders
- Conversion to electronic monitoring process will reduce need for paper filing and handling, and improve efficiency
- SDC tool exists to query SDC database for both BOD transactions and holdings; scope can be easily be expanded to cover universe of ‘insiders’ and to generate automated reports

2.2 Convert large shareholder paper filing disclosure to electronic monitoring process

- Conversion to electronic monitoring process will reduce need for paper filing and handling, and improve efficiency
- Consider lowering threshold for public release of transaction and holdings data to $\geq 3\%$ of holdings
- Current disclosure should be based upon 5% ‘aggregate’ ownership of shares owned ‘directly or indirectly’ – including relatives
- Add LS data collection process for relatives and related accounts at 2% trigger level
- Possible JSC decision to permit public disclosure of LS transactions and holdings
- SDC tool exists to query SDC database for LS transactions and holdings

3. Other Suggested Revisions to Disclosure Instructions

3.1. Revise Disclosure Definitions

- **Insiders:** A person who possesses inside information by virtue of his position or job, including but not limited to all SEMs, BOD members and relatives thereof
- **Relatives:** Includes an individual’s domestic partner and children; children of the individual’s domestic partner; and dependants of the individual or the individual’s domestic partner.
- **Senior Executive Managers:** Persons having authority and responsibility for planning, directing and controlling the activities of a Public Company, directly or indirectly, including, but not limited to, any General Manager, Financial Manager, Internal Auditor.

3.2. Clarify basis of large shareholder ownership disclosure

- Should be based upon 5% 'aggregate' ownership of shares owned 'directly or indirectly' – including relatives
- Basis of ownership disclosure for large shareholders and insiders should be consistent with each other

3.3. Conform compensation disclosure in accordance with IAS 24

- Jordanian Compensation disclosure largely consistent with IAS 24.
- Compensation Disclosure is considered a Related Party Transaction requiring disclosure on an individual basis.
- US, UK Disclose on an individual basis
- EU trend heading in similar direction

3.4. Add Corporate Governance Code (CGC) 'Comply or Explain' narrative disclosure regime as Art. 4.F.

- Consider creation of CGC performance monitoring process; tied to annual report filing schedule
- Will permit systematic JSC tracking
- Consider CGC and performance monitoring process for one of first Capital Markets Course Curriculum development; aimed at Issuers, Auditors and Financial Industry

3.5. Standardize Art. 8 material event disclosure forms consistent with enumerated disclosures

- Standardization of Art. 8 reporting will help processing and eventual conversion to e-filing process
- Nothing wrong with the current list of enumerated disclosures, including 8.A.5 (Products)
- Form standardization will support eventual conversion to RIS and/or e-filing process.

3.6 Require any change in BOD composition or SEM be disclosed promptly together with a statement of causes

- The qualifications of any new person assuming BOD membership or a SEM position shall also be promptly disclosed.

3.7 Fact of Art. 19 (Auditor Reservation Notice) and Art. 20 (Company Notice) auditor changes should be disclosed promptly as an Art.8 material event by issuer

- Two-week Company follow up requirements under Art. 20 remain unchanged

3.8 Fact of Art. 21 (Auditor Dispute) notice should be disclosed promptly to JSC

3.9 Delete Article 10 – Broker Transaction Disclosure

- Superseded by Licensing & Registration Instruction (LRI) Art. 73.
- Keep Disclosure Instructions focused on listed Public Sector Companies

3.10 SEM changes should be reported as an Art.8.I material event consistent with best practices

DISCLOSURE INSTRUCTIONS ACTION PLAN

Draft Preliminary Disclosure Instruction Recommendations – February 6, 2007

Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
2	<ul style="list-style-type: none"> Define 'Senior Executive Managers' (SEM) 	Definition Gap	<ul style="list-style-type: none"> Supports conversion of SEM transaction filing to internal JSC monitoring process; see Art.11 revision, below Reduce paper filing and handling Consistent with IAS 24 definition of key management personnel. Key definition for Related Party Transactions (RPT) and Compensation Disclosures 	<ul style="list-style-type: none"> Add definition to Art. 2 SEM: Persons having authority and responsibility for planning, directing and controlling the activities of a Public Company, directly or indirectly, including, but not limited to, any General Manager, Financial Manager, Internal Auditor. Revise Art. 11 and 12 See also Art. 4.B.3; Art. 4.B.17; Art. 4.B.18 	<ul style="list-style-type: none"> The term "senior executive management" is used in several places but not defined 	ST
2	<ul style="list-style-type: none"> Revise definition of 'insiders' 	Definition Clarification	<ul style="list-style-type: none"> If definition is used elsewhere in other instructions, revised definition will provide more precision 	<ul style="list-style-type: none"> Insider: A person who possesses inside information by virtue of his position or job, including but not limited to all SEMs, BOD members and relatives thereof 	<ul style="list-style-type: none"> If adopted, delete Art. 23.A 	ST
2	<ul style="list-style-type: none"> Revise definition of 'relatives' 	Definition Gap Clarification	<ul style="list-style-type: none"> Consistent with IAS 24 	<ul style="list-style-type: none"> Revise definition of 'Relatives' Relatives: Includes an individual's domestic partner and children; children of the individual's domestic partner; and dependants of the individual or the individual's domestic partner. 	<ul style="list-style-type: none"> A more precise, and slightly broader, definition of 'relatives' 	ST

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Draft Preliminary Disclosure Instruction Recommendations – February 6, 2007

Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
3-4, 6, 8-9, 11-13, 20-21	<ul style="list-style-type: none"> Improve Disclosure Dept. Filing Process 	Disclosure Filing Process & Operations	<ul style="list-style-type: none"> Current Disclosure Dept. filing, scanning and posting process is slow and inefficient Current scanner is outmoded Scanning, Adobe PDF and networking features on high-speed copying machine not implemented Current scanning process is not capturing data for internal use by industry and regulatory stakeholders. 	<ul style="list-style-type: none"> Short-term: Enable scanning, Adobe PDF and networking features on high-speed copying machine or upgrade – possible 83% improvement in processing time. Relatively low-cost, high-return solution, pending development of e-filing solution. Medium Term: Consider creation of Reporting Information System (RIS) as a stand-alone process and/or in connection with development of an e-filing system. 	<ul style="list-style-type: none"> Long Term: RIS would replace need for separate issuer publishing requirement as disclosures would be electronically ‘disclosed’ post JSC filing to financial and investment community and media by multiple methods – e.g. email, SMS, web-postings, e-fax. Long Term: E-filing system must take into account all regulatory filings, licensing, registration and disclosure processes, and needs of internal stakeholders 	ST MT LT
4.B.2	<ul style="list-style-type: none"> Expand scope of Art. 4.B.2 to include disclosure of parent, and affiliated company relationships 	Annual Report Content	<ul style="list-style-type: none"> Will support SEM / BOD disclosure and monitoring of related entity holdings. See also Art.12 	<ul style="list-style-type: none"> Art. 4.B.2 should read, “A description of subsidiary, parent and affiliated companies...” 	<ul style="list-style-type: none"> Will support insider trade reporting or monitoring. 	ST
4.B.4	<ul style="list-style-type: none"> Clarify basis of large shareholder ownership disclosure 	Annual Report Content	<ul style="list-style-type: none"> Current disclosure appears to be limited to 5% ‘direct’ 	<ul style="list-style-type: none"> Should be based upon 5% ‘aggregate’ ownership of shares owned ‘directly or indirectly’ – including relatives 	<ul style="list-style-type: none"> Basis of ownership disclosure for large shareholders and insiders should be consistent with each other 	ST

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Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
4.B.18	<ul style="list-style-type: none"> Minor clarification of compensation disclosure in accordance with IAS 24 	Annual Report Content	<ul style="list-style-type: none"> IAS 24 is the basis for RPT and Compensation Disclosures IAS 24.16 requires compensation disclosure for all directors and 'key management personnel' 'Key management personnel' concept has been incorporated into SEM definition 	<ul style="list-style-type: none"> Add categories of disclosure to include, short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits; and equity compensation benefits 	<ul style="list-style-type: none"> Jordanian Compensation disclosure largely consistent with IAS 24. Compensation Disclosure is considered a RPT requiring disclosure on an individual basis. US, UK Disclose on an individual basis EU trend heading in similar direction 	ST
4.B.20	<ul style="list-style-type: none"> Clarify disclosure to require a description of 'each' issuer RPT. Conform language to be consistent with Art. 4.B.2 Recommendation Use SEM definition 	Annual Report Content	<ul style="list-style-type: none"> Consistent reference to "subsidiary, parent and affiliated companies" 	<ul style="list-style-type: none"> See Art. 4.B.2, above. Replace 'CEO' with defined term for 'SEM' Insert the phrase 'each of' following the word 'indicates' 	<ul style="list-style-type: none"> Does JSC wish to further clarify the 'content' related to the disclosure of each RPT statement? 	ST
4.E.	<ul style="list-style-type: none"> Replace the term 'declaration' with the term "certification" 	Definition Clarification	<ul style="list-style-type: none"> Apparently conflict in use of terms. 	<ul style="list-style-type: none"> Replace 'declaration' with the word 'certification' 	<ul style="list-style-type: none"> Possible translation issue See Art. 22.B. recommendation, below 	ST

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Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
4.	<ul style="list-style-type: none"> • Add Corporate Governance Code (CGC) 'Comply or Explain' narrative disclosure as Art. 4.F. 	Corporate Governance Disclosure	<ul style="list-style-type: none"> • Will support implementation of CGC disclosure following adoption 	<ul style="list-style-type: none"> • Draft new Art. 4.F. requiring narrative disclosure of each CGC element 	<ul style="list-style-type: none"> • Consider creation of CGC performance monitoring process; tied to annual report filing schedule • Will permit systematic JSC tracking • Consider CGC and performance monitoring process for one of first Capital Markets Course Curriculum development; aimed at Issuers, Auditors and Financial Industry 	MT
8.	<ul style="list-style-type: none"> • Consider creating standardized Art. 8 material event disclosure forms consistent with enumerated disclosures 	Material Event Disclosure	<ul style="list-style-type: none"> • Standardization of Art. 8 reporting will help processing and eventual conversion to e-filing process 	<ul style="list-style-type: none"> • Create standardized Art. 8 material event disclosure forms consistent with Art. 8.A-K. 	<ul style="list-style-type: none"> • Nothing wrong with the current list of enumerated disclosures, including 8.A.5 (Products) • Form standardization will support eventual conversion to RIS and/or e-filing process. 	MT
8.H	<ul style="list-style-type: none"> • Add reference to 'ordinary' GA meeting invitation, and 'agendas' if not already a part of the invitation 	Material Event Gap	<ul style="list-style-type: none"> • Notice of 'ordinary' GA meetings should be disclosed, together with 'agendas' 	<ul style="list-style-type: none"> • Revise language: The invitation for any ordinary or extraordinary General Assembly meeting, together with the agenda for any such meeting 		ST

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Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
8.1.	<ul style="list-style-type: none"> Clarify 8.1 to require any change in BOD composition or SEM be disclosed promptly together with a statement of causes 	Clarification	<ul style="list-style-type: none"> Current language is cumbersome Any change in SEM should be reported as a material event consistent with best practices – not limited to General Manager only. 	<ul style="list-style-type: none"> Revise sub-paragraph I Any change in BOD composition or SEM position, for any reason, shall be disclosed promptly on occurrence. The name(s) of any departing or outgoing BOD member or SEM and a statement of causes for the change, shall also be promptly disclosed. The qualifications of any new person assuming BOD membership or a SEM position shall also be promptly disclosed. 	<ul style="list-style-type: none"> If revised, remove now redundant SEM filing requirement under Art.11 	ST
8.	<ul style="list-style-type: none"> Fact of Art. 20 auditor changes should be disclosed promptly as an Art.8 material event as new Art. 8.L. 	Material Event Gap	<ul style="list-style-type: none"> Changes in auditor typically are considered material events 	<ul style="list-style-type: none"> The fact of any change in outside auditor Conform first paragraph of Art. 20 		ST

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Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
8.	<ul style="list-style-type: none"> Consider adding new Art. 8.K. to clarify requirement to disclose any information disseminated in media related interviews by any representative of the issuer 	Material Event Gap	<ul style="list-style-type: none"> To the extent that media related interviews may result in the disclosure of material information, such events should be disclosed. Disclosure under Art. 8 would also avoid the potential for selective disclosure of such information. 	<ul style="list-style-type: none"> Exact language to be determined if the JSC is amenable to this recommendation. A detailed summary of the content of such media interviews should be disclosed, including any statements relating to the company's products, or current or future financial, operational, and/or sales performance. 	<ul style="list-style-type: none"> The accuracy of informational disclosures made during media interviews is well-covered by the Jordanian Securities Law and JSC Instructions. Disclosure requirement could be met by the dissemination of the full transcript of the media interview 	MT
10	<ul style="list-style-type: none"> Delete Art. 10 	Duplication Financial Service Firm Registered Person Disclosure	<ul style="list-style-type: none"> Superseded by Licensing & Registration Instruction (LRI) Art. 73. Keep Disclosure Instructions focused on listed Public Sector Companies 	<ul style="list-style-type: none"> Consider conversion of LRI Art. 73 registered person transaction filing process to an internal JSC monitoring process. 	<ul style="list-style-type: none"> Collect any "relatives" data during annual licensing / registration renewal. 	ST
11	<ul style="list-style-type: none"> Move SEM disclosure to Art. 8.I material event disclosure 	Filing Efficiency	<ul style="list-style-type: none"> SEM changes should be reported as an Art.8.I material event consistent with best practices 	<ul style="list-style-type: none"> Delete Art. 11, if revisions to Art. 8.I. are accepted. 		ST

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Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
12	<ul style="list-style-type: none"> Conform language to be consistent with revised definition of ‘insider’ and revised Art.8.1 Consistent reference to “subsidiary, parent and affiliated companies” Medium: Convert insider paper filing to internal electronic monitoring process Expand JSC January 22, 2007 decision for public disclosure of transactions and holdings to other all defined insiders 	Filing Efficiency Monitoring	<ul style="list-style-type: none"> Notification of ‘insider’ appointment and relatives data under Art. 12 could be eliminated; data can be captured through Art.8.1 and annual report disclosures. Medium: Conversion to electronic monitoring process will reduce need for paper filing and handling, and improve efficiency 	<ul style="list-style-type: none"> Convert existing processes to collect ‘insider’ and ‘relatives’ data through Art. 8.1 and annual report process Art.12 filing and notification requirements could be eliminated if medium term recommendation is adopted and implemented Create SDC query scripts to run insider transaction and ownership reports 	<ul style="list-style-type: none"> SDC tool exists to query SDC database for both BOD transactions and holdings; scope can be easily be expanded to cover universe of ‘insiders’ and to generate automated reports 	ST MT
13	<ul style="list-style-type: none"> Clarify basis of large shareholder (LS) ownership Medium: Convert LS holding paper filing disclosure to electronic monitoring process Consider lowering threshold for public release of transaction and holdings data to >=3% of holdings 	Filing Efficiency Monitoring	<ul style="list-style-type: none"> Current disclosure appears to be limited to 5% ‘direct’ Medium: Conversion to electronic monitoring process will reduce need for paper filing and handling, and improve efficiency 	<ul style="list-style-type: none"> Current disclosure should be based upon 5% ‘aggregate’ ownership of shares owned ‘directly or indirectly’ – including relatives Add LS data collection process for relatives and related accounts at 2% trigger level Possible JSC decision to permit public disclosure of LS transactions and holdings 	<ul style="list-style-type: none"> Basis of ownership disclosure for large shareholders and insiders should be consistent with each other US public disclosure at 5%; UK TD at 3%; process largely driven by difference in depository structures compared to Jordan Retain 10% motive disclosure SDC tool exists to query SDC database for LS transactions and holdings 	ST MT

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Art. #	Recommendation	Issue(s)	Justification	Action(s)	Comment	Priority
19	<ul style="list-style-type: none"> Clarify issuer obligation to transmit Art.19 disclosure to JSC immediately 	Annual Audit	<ul style="list-style-type: none"> Minor clarification of current practice 	<ul style="list-style-type: none"> Clarify disclosure obligation as immediate and before submission of annual report 		ST
20	<ul style="list-style-type: none"> Fact of Art. 20 auditor changes should be disclosed promptly as an Art.8 material event 	Material Event Gap Auditor Change	<ul style="list-style-type: none"> Changes in auditor typically are considered material events 	<ul style="list-style-type: none"> Conform first paragraph of Art. 20 No change in timing of issuer follow up under Art. 20.A-C. 		ST
21	<ul style="list-style-type: none"> Art. 21 auditor disclosure notice obligation to should be immediate 	Auditor Change	<ul style="list-style-type: none"> No need to wait Important indicator of potential audit issues 	<ul style="list-style-type: none"> Remove two-week notice requirement and replace with immediate notice following the occurrence. 		ST
22.B.	<ul style="list-style-type: none"> Delete Art.22.B 	Clarification	<ul style="list-style-type: none"> The term 'declare' in the context of "publication" of a press release does not appear to be used anywhere in the instructions 	<ul style="list-style-type: none"> Delete Art.22.B 		ST
22.C.	<ul style="list-style-type: none"> Clarify that BOD Chairman remains responsible at all times for the contents of any required publication or certification 	Clarification Responsibility	<ul style="list-style-type: none"> Duty may be delegated to assigned or authorized parties, but not the responsibility Chairman of BOD remains responsible together with assigned or authorized parties 	<ul style="list-style-type: none"> Amend Art. 22.C. Replace the word 'or' with the word 'and' or phrase 'together with' following the word 'Directors.' 	<ul style="list-style-type: none"> Minor Clarification 	ST

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23	<ul style="list-style-type: none"> Delete Art. 23 	Definition Gap	<ul style="list-style-type: none"> Current definition of ‘insiders’ not particularly useful for purposes of disclosure instructions Better approach is to use revised Art.2 definition of insiders 	<ul style="list-style-type: none"> Delete Art.23 	<ul style="list-style-type: none"> Revised Art. 2 definition of ‘insiders’ makes Art. 23 unnecessary 	ST

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DRAFT AMENDMENTS TO DISCLOSURE INSTRUCTIONS

Issued by virtue of article (12/Q) of the Securities Law No. 76 for the year 2002 and by virtue of the decision of the Board of Commissioners of the Securities Commission No. 53/2004 and amended by virtue of the decision of the Board of Commissioners of the Securities Commission No. (257/2005)

Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the Year 2004

Article (1):

These Instructions shall be Known as (Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the Year 2004) and shall come into effect as of 1 March 2004.

Article (2):

Subject to the meanings ascribed to the terms mentioned in the Securities Law and the Regulations and Instructions issued pursuant thereto, the following terms shall have the meanings ascribed thereto hereunder, unless the context indicates otherwise:

The Commission : The Securities Commission.

The Board : The Board of Commissioners of the Commission.

The Chairman : The Chairman of the Board.

The Market / Stock Exchange

The Amman Stock Exchange or any Securities Trading Market licensed by the Commission in accordance with the provisions of this Law.

Person : A natural or Juristic person.

Issuer : Any Juristic person issuing or declaring the intention to issue securities.

Control : The ability to influence effectively, whether directly or indirectly, the actions and decisions of another person. **Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards**

Affiliate : Any person who controls another person or is controlled by another person, or who, together with that person is controlled by the same person.

Material Fact : Any event or datum that might affect a person's decision to buy, hold, sell or dispose of a security.

Inside Information : Unpublished Information relating to one or several Issuers or to one or several securities, which would likely affect the price of any security had it been made public. This does not include inferences drawn on the basis of economic and financial studies, research and analysis.

Public Statement : A paid announcement or a declaration to be published in at least one daily newspaper.

Insider : A person who possesses Inside Information by virtue of his position or job including, but not limited to all Senior Executive Managers, Board of Director members, and relatives thereof. Any natural person representing any juristic person occupying such a position shall be considered an Insider, together with juristic person represented by such person.

Parent Company : A Company having control over one Company or more (whereby such are called Subsidiary Companies) by owning more than one half of their capital and/or having control of the formation of their Boards of Directors. Such shall also include Holding Companies.

Subsidiary Company : A Company subject to the control of a Parent Company.

Sister Company : A Company shall be considered a Sister of another if they are owned by, or considered subsidiaries of a Parent Company.

Minority Interest : The apparent part in the consolidated financial statements of the net business results and net assets of a Subsidiary Company that are not held directly by the Parent Company through its subsidiary companies.

Relatives : ~~Husband, wife and minor children.~~ Includes an individual's domestic partner and children; children of the individual's domestic partner; and dependants of the individual or individual's domestic partner.

Senior Executive Managers: Persons having authority and responsibility for planning, directing and controlling the activities of a Public Company, directly or indirectly, including, but not limited to, any General Manager, Financial Manager and/or Internal Auditor.

Article (3):

A- The issuing Company shall publish its preliminary business results after completion of a preliminary audit by its auditor, within forty-five days of the end of its fiscal year, and shall provide the Commission with a copy thereof.

B- The preliminary results mentioned in Paragraph (A) of this Article shall include:

- 1- The Net revenues.
- 2- The expected net profit before tax.
- 3- The amount allocated for income tax on expected profit.
- 4- Minority interest in the profits.
- 5- Net profit of the Company's shareholders after deduction of the allocated tax and of minority interest.
- 6- Comparative figures with the preceding fiscal year for the items from (1-5) above.
- 7- A summary of the Company's activities during the fiscal year.

Article (4):

The Board of Directors of the issuing Company shall prepare the Company's annual report within three months from the end of the Company's fiscal year and shall provide the Commission therewith. The annual report shall include:

A- The statement of the Board of Directors' Chairman.

B- The Board of Directors' report, which shall include:

- 1- A description of the Company's main activities, with their respective geographical locations, size of capital investment and number of employees.
- 2- A description of the Subsidiary, Parent and Affiliated Companies, the nature of their business and their areas of activity.

- 3- A statement that indicates the members of the Board of Directors' names and the names and ranks of Senior Executive Management with a brief resume of each.
- 4- The names of the Company's large shareholders and the number of shares beneficially owned or controlled by each of them, directly or indirectly, where such constitutes, in total, (5%) or more, of the voting shares of the Company, in comparison with the previous year. Shares held by relatives of the large shareholder, shall be counted in determining whether the 5% threshold has been reached.
- 5- The Company's competitive position within its sector and main market segments, as well as its share of the Local Market, and International Market if possible.
- 6- The extent of dependence upon specific suppliers and/or major clients (Local and International) where this constitutes (10%) or more of the total purchases and/or sales or revenues.
- 7- A description of any government protection or any concession granted to the Company or to any of its products pursuant to Laws, Regulations or otherwise, with a specification of the effective period thereof; as well as a description of any Patents or Licensing Rights obtained by the Company.
- 8- A description of any decision by the Government, International Organizations or otherwise with a material effect on the Company's business, products or competitiveness, and a disclosure of the Company's implementation of international quality standards.
- 9- The issuing Company's organizational chart, the number of its employees and their classes of qualification, and its personnel qualifying and training programs.
- 10- A description of the Company's risk exposure.
- 11- The Company's accomplishments supported by quantitative indicators and a description of significant occurrences to the Company during the fiscal year.
- 12- The financial impact of non-recurrent transactions during the fiscal year, which are not part of the Company's main activities.
- 13- A chronology of the realized profits or losses, dividends, shareholders' net equity and the prices of securities issued by the Company, for a minimum period of five years or for the period since the establishment of the Company, whichever is less, together with graphic representation thereof where possible.
- 14- An analysis of the Company's financial status and of the results of its activities for the fiscal year.
- 15- Important prospective developments including any new expansions and projects; the Company's proposed plan for at least one upcoming year; and the Board of Directors' forecasts for the outcomes of the Company activities.
- 16- The amount of auditing fees for the Company and its subsidiaries and any other fees received or receivable by the auditor.
- 17- A statement that indicates the number of securities issued by the Company which are owned by any member of its Board of Directors, any member of its Senior Executive Management or any of their relatives; a list of companies controlled by any of such,
provided all of the above is benchmarked against the preceding year.
- 18- The benefits and remunerations of the Chairman, members of the Board of Directors, and Senior Executive Management, during the fiscal year, including payments received by any of them such as fees, salaries, bonuses, and otherwise, and their travel and transport expenses within the Kingdom and abroad.

A. Disclosure of benefits, should include a summary of:

1. Short-term employee benefits
2. Post-Employment benefit
3. Termination benefits; and,
4. Any equity-related compensation benefits.

19- A statement that indicates the donations and grants made by the Company during the fiscal year.

20- A statement that indicates each of the issuing Company's contracts, projects and engagements concluded with its ~~Subsidiaries, Sister Companies or Affiliates~~, Subsidiary, Parent and Affiliated Companies, as well as those with the Chairman of the Board of Directors, members of the Board of Directors, all Senior Executive Managers, ~~the Chief Executive Officer~~ or any employee of the Company or relatives thereof.

21- The Company's contribution to environmental protection and local community service.

C- The Company's annual audited financial statements benchmarked with the previous year, this shall include the following:

- 1- The balance sheet.
- 2- The profit and loss account.
- 3- The cash flow statement.
- 4- Statement of changes in shareholders' equity.
- 5- Explanatory notes to the Financial Statements.

D- The auditors' report on the Company's annual financial statements, including an affirmation that the audit procedures are consistent with the audit standards adopted by these Instructions.

E- 1- A ~~declaration~~ certification from the Board of Directors that there are no substantial matters that might affect the Company's continuity during the next fiscal year.

2- A ~~declaration~~ certification by the Board of Directors affirming its responsibility for the preparation of the financial statements and for providing an effective system of controls within the Company.

3- A ~~declaration~~ certification affirming the correctness, accuracy and completeness of the information and data stated in the report, signed by the Chairman of the Board of Directors, the Company's General Manager, and the Financial Manager.

[F. A narrative discussion of the Company's compliance with the Code of Corporate Governance of 2008 (Code).

1. For each Code provision, the Company should state whether they are in full compliance, or otherwise explain their rationale for non-compliance, in detail.] [TO BE ADDED FOLLOWING ADOPTION OF THE CODE]

Article (5):

The issuing Company shall publish its annual statements within three months of the end fiscal year, after their approval by the Company's Board of Directors directly upon releasing the report of the Company's auditors, and prior to their distribution to the shareholders. The published material shall also include an adequate summary of the Board of Directors' report and the report of the Company's auditors.

Article (6):

A- The Board of Directors of the issuing Company shall prepare a comparative semi-annual report and provide the commission therewith, such report shall be published within one month from the date of the end of that period.

B- The report mentioned in Paragraph (A) of this Article shall include:

- 1- The balance sheet.

- 2- The profit and loss account.
- 3- Changes in shareholders' equity.
- 4- The cash flow statement.
- 5- The required explanatory notes.
- 6- The Company auditor's report which shall include an affirmation that the records and financial statements have been audited consistently with the audit standards adopted by these Instructions.
- 7- A brief summary of the results of the Company's activities for the period in comparison to the "Future Plans" which has been set earlier.

Article (7):

Any issuing Company which changes its fiscal year shall prepare the financial statements indicated below covering the transitional period from the end of the preceding fiscal year until the beginning of the new fiscal year. The Company shall publish such statements and provide the Commission therewith within forty-five days from the end of the transitional period, such statements shall be audited by the Company's auditors:

- A- The balance sheet.
- B- The profit and loss account during the transitional period.
- C- The cash flow statement.
- D- Changes in the shareholders' equity.
- E- The financial statements explanatory notes.
- F- The auditor's report for the transitional period.

Article (8):

The issuing Company shall notify the Commission, without delay and through any means that ensure the required swiftness, and shall promptly issue public notice of, any emerging Material Fact and especially the following:

A- The important changes that occur in any of the following:

- 1- The Company's assets.
- 2- The Company's long and short term obligations and any attachments upon its assets.
- 3- The capital structure.
- 4- The Company's credit rating, if any, and changes thereto.
- 5- The Company's products.
- 6- Changes in share ownership, which affect control of the Company.

B- Major transactions concluded by the Company and rescissions thereof, and the Board of Directors' evaluation of the anticipated impact of such on the Company's profitability and its financial position.

C- Non-recurrent transactions, which might affect the profits of the Company or the financial position thereof.

D- Any disasters, fires or accidents and their anticipated impact on the Company's financial position.

E- Any unanticipated material losses which has affected the Company's financial position, and the causes thereof.

F- The Board of Directors important decisions, which might affect the prices of the securities, issued by the Company including the decisions related to:

- 1- Issuance of new securities, or amortization of any existing securities.
- 2- Changes in the capital investments, or in the Company's objectives, or in its markets.

- 3- Initiation of a merger.
- 4- Distribution of dividends.
- 5- Buyback by the issuing Company of its own shares or any disposal thereto.
- 6- Voluntary liquidation.
- G- The decisions of the Company's General Assembly.
- H- The invitation for any ordinary or extraordinary General Assembly meeting together with the agenda for any such meeting.
- I- ~~The formation of a new Board of Directors for the Company, or the resignation of any Board Member or of the Company's General Manager or any vacancy in any of those positions, with a statement of causes thereof provided such are announced promptly upon occurrence. In addition, any appointment decision by the Board of Directors' of new Board members or of a General Manager for the Company and the appointees' qualifications.~~
- Any change in composition of the Board of Directors or of any Senior Executive Manager, shall be disclosed promptly on occurrence.
 - 1. The name(s) of any departing or outgoing member of the Board of Directors shall be disclosed, together with a statement of causes for the change.
 - 2. The qualifications of any new person assuming Board of Director membership, or Senior Executive Manager position, shall also be promptly disclosed.
- J- Discontinuation of the Company's activities or of those of any of its branches, factories or subsidiaries and the reasons thereto.
- K- Any actions brought by or against the Company or any judicial or labour disputes, that might materially affect the Company's financial position, whereby the Commission must be provided with a thorough report about such proceedings or disputes, and their expected impact on the Company's profitability and financial position.
- L. The fact of any change in the Company's outside or external auditor, including the name of the outside or external auditor involved.
- M. [Consider addition of requirement to disclose content of all media interviews, including any statements relating to the company's products, or current or future financial, operational, and/or sales performance of the company.]

Article (9):

- A- The issuing Company shall provide the Commission with a detailed report about any Material Fact with a copy of the public statement within a week from its occurrence.
- B- The Company shall promptly issue a public statement to confirm, deny or correct any news item about a Material Fact pertaining to the issuing Company which is published in the media, and shall provide the Commission with a copy of such a statement.

Article (10):

~~Each registered person practicing financial brokerage in any financial services Company shall provide the Commission with monthly reports about any dealings in securities, including sale and purchase thereof, by the broker or relatives thereof, within seven days from the end of the month in which the dealing took place. [THIS ARTICLE HAS BEEN REPLACED BY LICENSING & REGISTRATION ARTICLE 73.]~~

Article (11):

~~The issuing Company shall notify the Commission in writing of the names, positions and qualifications of appointed or resigning Senior Executive Management within seven days of the appointment or resignation. [REPLACED WITH AMENDED ARTICLE 8.I]~~

Article (12):

Any Insider in the issuing Company shall notify the Commission in writing within one week of his election or appointment about any securities issued by this Company, its subsidiary, parent or affiliated Companies, subsidiaries, affiliates, or sister or parent Company which are owned by himself or his relatives, and shall notify the Commission in writing of any changes to such within one week thereof.

Article (13):

Any person beneficially owning or controlling, directly or indirectly, acquiring or having, for the first time, disposal of 5% or more of any securities of the same issuing Company shall notify the Commission of such in writing within one week of occurrence. The said person shall also notify the Commission in writing of any 1% increase in acquisition within one week of such occurrence, and shall disclose motives for any purchase above the 10% rate. Shares owned by relatives shall be counted in determining whether the applicable threshold has been reached.

Article (14):

The international accounting standards issued by the Board of International Accounting Standards are hereby adopted whereby all the parties subject to the Commission's monitoring shall prepare their financial statements consistently therewith.

Article (15):

A- The Board of Directors of the issuing Company shall form an Auditing Committee of three non-executive Board members who are natural persons, and shall designate one of them as head of the Committee and notify the Commission thereof, and of any changes thereto and the cause of such.

B- Any member of the Board of Directors shall be considered as non-executive, if the member is neither an employee of the Company nor receiving a salary therefrom.

C- The Auditing Committee shall meet periodically and report to the Board of Directors, provided its meetings shall be at least four per annum and the minutes of such meetings shall be duly recorded.

D- The Auditing Committee shall undertake the following:

1- Discussing the matters related to the nomination of the external auditor; ensuring the auditor's fulfillment of the Commission's prerequisite and that there is no reason which might influence his independence; and examining the extent to which the auditors other activities may affect such independence.

2- Discussing the auditor's work, including his comments, suggestions and reservations, and the management's response thereto and submitting recommendations thereabout to the Board of Directors.

3- Reviewing the Company's correspondence with the external auditor, evaluating their contents, and providing comments and recommendations thereabout.

4- Observing the Company's compliance with the Securities Law, and the Regulations, Instructions and decisions issued pursuant thereto.

5- Examining the periodical reports prior to their presentation to the Board of Directors and submitting recommendations thereabout which shall address specifically

a- Changes in the accounting policies.

b- Changes in the Company's accounts as a result of the auditing operations or of the auditor's suggestions.

6- Examining the auditor's work plan and ensuring that the Company is providing the auditor with all required facilities to perform his work.

7- Examining and evaluating the internal monitoring procedures, and reviewing the external auditor's assessment of such procedures, and the internal monitoring reports, particularly those related to any violations found by the internal auditor.

8- Making recommendations to the Board of Directors related to the internal audit procedures and the work of the internal auditor.

9- Ensuring that there are no clashes of interest that might arise from the Company's transactions, contracts or projects with the parties concerned.

10- Any other matters as decided by the Board of Directors.

E- The Auditing Committee shall have the following authorities:

1- Requesting any information from the Company's employees, whereby the employees shall cooperate by providing such information fully and accurately.

2- Seeking legal, financial, administrative or technical advice from any external consultant.

3- Summoning any employee in the Company, to obtain any further explanations, if necessary.

4- Summoning the external auditor if it deems necessary to discuss any matter related to his work at the Company. The committee may also require the auditor to provide a written clarification or opinion.

5- Recommending to the Board of Directors the nomination of an external auditor to be elected by the General Assembly.

6- Nominating an internal auditor for the Company to appoint.

Article (16):

The international auditing standards issued by the International Federation of Accountants are hereby adopted in auditing the accounts of the parties subject to the monitoring of the Commission.

Article (17):

The auditor of any of the parties subject to the monitoring of the Commission shall:

A- Hold a valid licence to practice auditing.

B- Be a member of the Jordanian association of certified Accountants.

C- Be classified in category (A) according to the applicable Auditors Classification Regulations.

D- Have practiced auditing for at least three consecutive years at full time basis after obtaining the license to practice.

E- Have one or more partners or employees who are auditors and who satisfy the above conditions.

Article (18):

Subject to provisions of the Companies Law, the Company's external auditor report shall include the following:

A- The date of the report.

B- The name of the audit bureau and the auditor's name, signature, license number, classification category and address.

C- The financial statements covered by the report.

D- A statement that the audit procedures have been conducted in accordance with the international auditing standards.

E- The auditor's opinion on the authenticity and probity of the financial statements and his affirmation that such statements have been prepared in accordance with the international accounting standards.

Article (19):

Subject to provisions of the Companies Law in force, the Company's auditor shall clarify the reasons for any reservations, adverse opinion, or statement of withheld opinion made in his report on the annual financial statements, and shall indicate the impact of such reasons on the financial statements and promptly notify the Commission thereof together with a copy of such report. The said Company shall provide the Commission in writing with its opinion on the aforementioned auditor's report within two weeks from receiving the report.

Article (20):

The Company shall notify the Commission promptly in writing ~~within two weeks thereof~~ if a new auditor is elected, or if the auditor is changed during the year, or if the auditor's position becomes vacant for any reason. The notice shall include the following:

A- A statement as to whether the auditor has voluntarily excused himself from performing his duty and the reasons therefor.

B- A statement as to the existence of any disagreement between the auditor and the Company's Board of Directors.

C- A statement as to whether the auditor's report included a reservation on the Company's financial statements during the two preceding fiscal years.

Article (21):

If the auditor excuses himself from auditing a Company's account for whatever reasons, or if a dispute arises between the auditor and the Company's management, the auditor shall promptly notify the Commission in writing about the reasons therefore ~~within two weeks of the occurrence~~.

Article (22):

A- For the purposes of these Instructions, the term publish shall mean the publishing of the relevant information and data for one time in at least one daily newspaper in Arabic.

~~B- For the purposes of these Instructions, the term declare shall mean the making of a press release to be published in at least one daily newspaper.~~ **[THE TERM 'DECLARE' APPEARS NOT TO BE USED ANYWHERE IN THESE INSTRUCTIONS]**

C- The responsibility for any publication and declaration and for any contents thereof shall be that of the Chairman of the Board of Directors and ~~or~~ anyone assigned or authorized thereby in writing.

Article (23):

~~A- The following persons of the issuing Company shall be considered not exclusively Insiders exofficio:~~

~~1- The Chairman of the Board of Directors of the issuing Company.~~

~~2- The Members of the Board of Directors.~~

~~3- The General manger~~

~~4- The Financial Manager.~~

~~5- The Internal Auditor.~~

~~6- Relatives of the above mentioned persons.~~

~~B- The natural person representing any juristic person occupying such a position shall be considered an Insider.~~

Article (24):

The Instructions of Disclosure; Accounting, Auditing Standards and the Conditions to be fulfilled in Auditors of the Entities Subject to Securities Commission's supervision No. (1) for the year 1998 shall be repealed.

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