REVISED CORPORATE GOVERNANCE RATING INDEX

CGRI Measures for the Adopted Jordan Corporate Governance Code

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CGRI Measures for the Adopted Jordan Corporate Governance Code

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INTRODUCTION

On August 21, 2008, the Jordan Securities Commission (JSC) formally adopted a Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange (Jordan Code). [1]

Adapted from the OECD Principles of Corporate Governance (2004) (OECD Principles), the Jordan Code is a blend of both voluntary and mandatory corporate governance norms. The mandatory corporate governance norms are a restatement of best practices found in effective domestic legislation (Company Law, Securities Law) and related regulations, as well as the ASE Listing Directives. The voluntary norms are best practices designed to set a higher standard of compliance than established by the legally mandated norms. These voluntary norms will form the basis of a "comply or explain" disclosure regime for ASE Listed Companies, once additional draft amendments to the JSC Disclosure Directives are enacted in 2009.

In April 2008, the Jordan Economic Development Program produced recommendations and drafted a specialized issuer questionnaire, designed to convert the voluntary provisions of the Jordan Code into a Corporate Governance Rating Index (CGRI). The CGRI process is designed to be used flexibly to achieve multiple corporate governance policy goals and objectives, including among other things:

- To ***drive voluntary compliance with higher than legally mandated norms*** – this is the core objective of any "comply or explain" regime;
- As ***a JSC "policy monitoring" tool*** to measure improvements in, and compliance with, domestic corporate governance norms and best practices as expressed in the Jordanian Code;
- As ***an educational and diagnostic and tool*** for listed issuers and their stakeholders. A well-drafted questionnaire form can effectively become the issuer's corporate governance improvement "work plan";
- ***Increase public and investment community awareness*** of issuer compliance with the Jordanian Code, through the public release of listed issuer CGRI ratings and/or rankings; and,
- ***Support corporate governance compliance disclosures***, especially within a 'comply or explain' regime.

During September 2008, the Jordan Economic Development Project produced a revised CGRI Questionnaire[2] based on the formally adopted Jordan Code, a review of a draft questionnaire produced by the JSC Research and International Affairs Department[3], and further discussions with JSC staff. The revised CGRI Questionnaire now consists of 58 measures, tracks the organization and structure of

the adopted Jordan Code, and incorporates references to link each measure back to the voluntary "comply or explain" elements of the Code.

[1] See Appendix A – Unofficial translation of the Jordan Code

[2] See Appendix B – Revised CGRI Questionnaire (September 2008)

[3] See Appendix C – JSC Draft Questionnaire Translation (August 2008)

The balance of this document supplements and updates recommendations previously made in April 2008.

RECOMMENDATIONS

1. **Implement the "Comply or Explain" Regime and CGRI Processes in Phases through 2009.**

   a. **Focus on Educating Issuers and Stakeholders through 2009.** The balance of calendar years 2008 and 2009 should be used to educate issuers and stakeholders on the new Jordan Code, its "comply or explain" disclosure regime, and the CGRI process. The new Corporate Governance course under development should include a module addressing these new regulatory processes.

   b. **Pilot Test the CGRI Questionnaire.** The JSC should also use this time to pilot test the CGRI Questionnaire with issuers and stakeholders before its distribution to issuers. Once finalized, the JSC should consider distributing the CGRI questionnaire for completion by all ASE Listed Issuers, with the results being compiled internally by the JSC, but not publicly released. This will provide the JSC with a preliminary snapshot of the levels of actual compliance with the voluntary provisions of the Jordan Code, and permit time for policy and/or scoring adjustments to the CGRI before its formal, public implementation. A phased implementation will also provide issuers sufficient time to become familiar with the "comply or explain" regime and CGRI processes, and more importantly, to take steps to implement the voluntary measures before being formally, and publicly, rated – perhaps in 2011 as part of the 2010 Annual Reporting process. (A draft CGRI Implementation Work Plan is attached as Appendix D.)

2. **Develop JSC Guidance Documents to Facilitate Implementation of the CGRI, CGRI Questionnaire, and the "Comply or Explain" Disclosure Regime.** Guidance documents should:

   a. **Clearly Distinguish Voluntary Norms**, which are subject to the voluntary 'comply or explain' regime. The adopted version of the Jordan Code does not distinguish between measures, which are mandatory under effective Jordanian legislation and those, which are voluntary. Distinguishing clearly, which categories the various Code provisions belong to will ultimately aid corporate compliance with the 'comply or explain' regime. (See Exhibit A - Jordan Code Translation, which highlights provisions understood to be voluntary.)

   b. **Provide Commentary or Justifications,** to educate stakeholders as to the policy objective and/or best practice associated with each voluntary measure and to facilitate the educational function and purpose associated with the use of the CGRI questionnaire. (See examples contained in the "Justifications" column of Exhibit B - Revised CGRI Questionnaire.)

   c. **Incorporate Citations and References to relevant OECD Principles and Jordanian Legislation,** to facilitate the educational function and purpose of the Jordan Code. Based on our work around the world, we have observed that most non-compliance with corporate governance norms stem almost exclusively from a lack of clarity and understanding of the requirements and their underlying legislative sources.

3. **The CGRI Should Be Monitoring and Benchmark Oriented**. CGRI response data should be collected over time to enable meaningful comparisons in Code compliance. The JSC should use the CGRI to monitor and identify code compliance gaps, which may require adjustments in corporate governance policies and other disclosure related directives. Although the CGRI can and should be adjusted over time as policy priorities shift, or code provisions are amended, frequent year-on-year changes in CGRI measures are to be avoided. Issuers will also require several yearly cycles to adjust their corporate governance practices.
4. **CGRI Questionnaire Measures Must be Objective, Easily Quantified and Scored.** Linguistically, each CGRI measure must be carefully, and objectively, worded as an affirmative (Yes/No) question or statement, reflecting a "distinct" or "unique" Jordanian best practice as "derived" from the voluntary 'comply or explain' provisions the Jordan Code. Verbatim restatements of the relevant text of Jordan Code provisions, as measures, will often not meet this requirement. Care should also be taken not to conflate (or merge) multiple measures into a single question or statement, as this will yield an unclear or meaningless answer.
5. **Utilize bold, emphasized headers for each measure** to highlight the focus of each measure. This approach is designed to facilitate the "educational" element of the questionnaire process and will also function as an extremely useful aid to analysts and investors reviewing the results, once the 'comply or explain' disclosure process is implemented in the annual reporting process.
6. **Subjective Responses Should Not Be Used.** Permitting "partially implemented" responses not only injects a subjective element into the process, it also undermines the key objective of the monitoring and rating process – i.e., to encourage "full" compliance with the voluntary measure. The measure is either, fully implemented, or it is not. As such, only 'yes' answers will be scored and awarded a weighted or un-weighted value. 'No' answers are not scored, and will subsequently require further explanation in the listed issuer's annual report under revised disclosure directives. If an issuer wishes to demonstrate they have partially complied with a measure, they can demonstrate this as part of their narrative explanation; however, if an issuer wishes to improve their CGRI score and ranking, full compliance is required.

As noted previously, several cycles may be required to see changes and improvements in CGRI responses. Early CGRI results should also be expected to produce low compliance scores, however, improvements will be registered quickly over subsequent cycles as issuers discover what best practices may be easily introduced to yield an improved score and ranking.

APPENDIX A

CORPORATE GOVERNANCE CODE FOR SHAREHOLDING COMPANIES LISTED ON THE AMMAN STOCK EXCHANGE [UNOFFICIAL TRANSLATION]

Appendix A [Jordan Code as Adopted 21 August 2008]

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

Preamble

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

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

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

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

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

Chapter One - Definitions

The Company: A shareholding company listed on the ASE.

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

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

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

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

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

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

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

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

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

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

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

Chapter Two: The Board of Directors of a Shareholding Company

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

[4] **[V] = Voluntary Corporate Governance Principles Identified By JSC.**

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

Section One: Board of Directors Tasks and Responsibilities

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

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

15. **[V]** Adopting criteria for granting incentives, compensations, and privileges to members of the board of directors and executive management, in a manner that serves the company's interests and realizes its objectives.
16. **[V]** Setting a policy to organize relations with stakeholders in a manner that ensures fulfillment of the company's commitments towards them, safeguards their rights, provides them with adequate information, and maintains good relations with them.
17. **[V]** Setting written procedures for implementing the rules of good corporate governance in the company and reviewing them annually to evaluate the degree to which they are implemented.

Section Two: Committees Formed by the Board of Directors

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

Section Three: Meetings of the Board of Directors

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

Chapter Three: General Assembly Meetings

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

Chapter Four: Shareholders' Rights

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

Section One: General Rights

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

Section Two: Rights within the powers of the General Assembly

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

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

Chapter Five: Disclosure and Transparency

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

Section One: The Audit Committee

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

Section Two: Duties of the Audit Committee

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

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

Section Three: Powers of the Audit Committee

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

Section Four: The External Auditor

1. The general assembly shall elect one or more licensed auditor/s to perform an external audit of the company in accordance with the international auditing standards, the requirements and rules of the profession, and the legislations in force.
2. **[V]** The external auditor shall exercise his duties for one year renewable, provided that the renewal may not be for more than four consecutive years, and the re-election may not take place before a minimum of two years.
3. The company shall take appropriate actions to ensure the following:
   A. The company's external auditor is not a founder, a shareholder, a member of its board of directors, or a partner or an employee of any member of the board of directors.
   B. **[V]** The external auditor does not perform any additional services to the company such as administrative or technical consultations.
   C. The external auditor is independent in accordance with international auditing standards.
   D. The external auditor performs his duties impartially without interference from the board of directors or the executive management.
4. **[V]** The company is not allowed to appoint any employee of the external auditor office in the company's upper management before at least one year from the date of his employment termination at the auditor's office.
5. The company's external auditor should:
   A. Possess a valid license to practice the profession.
   B. Be a member of the Jordan Association of Certified Public Accountants.
   C. Have practiced the profession on a full time basis for at least three consecutive years, after receiving his license to practice the auditing profession.
   D. Have in his firm at least one partner or employee who must also meet the above- mentioned requirements.

6. External auditor's duties:
   A. Performing the duties assigned to him in impartiality and independence.
   B. Monitoring the company's operations.
   C. Auditing the company's accounts in accordance with international standards and the accepted profession rules.
   D. Examining the financial, administrative, and internal auditing systems of the company and submitting his opinion on their effectiveness and ensuring their suitability for the company's business and safeguarding of its assets.
   E. Verifying ownership of the company's assets and the legality of its obligations.
   F. Attending meetings of the company's general assembly.
   G. Answering questions and inquiries from shareholders with regard to the financial statements and closing accounts, at the general assembly meetings.
   H. Expressing opinion on the fairness of the company's financial statements, and to ask for their amendment if there is anything that affects their fairness.
   I. Reporting to the authorities concerned any violation of the law, or any financial or administrative issues that affect the company's situation negatively.

APPENDIX B

REVISED CGRI QUESTIONNAIRE (SEPTEMBER 2008)

CATEGORY	NUMBER OF QUESTIONS	CGRI PERCENTAGE
1. BOARD OF DIRECTORS	9	15.5%
2. BOARD TASKS & RESPONSIBILITIES	16	27.6%
3. BOARD COMMITTEES	9	15.5%
4. GENERAL ASSEMBLY MEETINGS	4	7.0%
5. SHAREHOLDER RIGHTS	5	8.6%
6. DISCLOSURE & TRANSPARENCY	6	10.3%
7. AUDIT COMMITTEE DUTIES	6	10.3%
8. EXTERNAL AUDITOR	3	5.2%
TOTALS	58	100%

Defined Terms

BOD Board of Directors
C Chapter
EGA Extraordinary General Assembly
EM Executive Management
JC Companies Jordan Corporate Governance Code for Listed ASE Companies
GA General Assembly
OECD OECD Principles of Corporate Governance
PMS Performance Measurement System
S Section
Stakeholders This term includes relationships with employees, suppliers, customers, banks and other lenders

Category	Questions	Justification	Yes/No	Point
1. Board of Directors	1. **BOD Size**. The BOD consists of not less than 5 and not more than 13 members [JC C2.1]	BOD size should seek to should achieve a balance between too small and too large. Small boards may not have enough resources and independent members to efficiently carry out their assigned duties and responsibilities. Large boards, conversely, can become too unwieldy and inefficient.		
	2. Cumulative Voting. A cumulative voting system is used to elect BOD members at the company's annual General Assembly meetings [JC C2.1]	Cumulative voting is considered a best practice in support of minority shareholder rights. In a cumulative voting system, each shareholder has a number of votes equal to the number of shares held multiplied by the number of directors to be elected. The shareholder can allocate these votes in whatever proportion preferred -- e.g. all votes could be cast for one candidate or divided equally among the candidates. The effect of cumulative voting is to give minority shareholders the power to elect at least one BOD candidate - by disproportionately allocating their votes to that candidate - even though the majority of shareholders did not cast votes in support of the candidate.		
	3. **Independent Directors.** At least one-third of the BOD members are "independent" as defined by the Jordanian Code of Corporate Governance. [JC C2.1]	To minimize the potential for internal conflicts of interest, it is recommended that at least one-third of the BOD members be independent from the company's senior executive management, and as further defined by the JC. [See also JC Chapter 1 for definition of 'Independent Member']		

Category	Questions	Justification	Yes/No	Points
	4. **Legal Person Directors**. All legal persons entitled to BOD representation have appointed a named, natural person to serve during the designated term of office. [JC C2.3]	As a best practice, legal person representation should be accomplished, only, by and through a named, designated, natural person of the legal representative. That designated person shall serve the designated term of office, as an elected BOD member. Rotational replacements of such natural persons during the term of office are to be discouraged. Proper BOD participation requires continuity of service.		
	5. **BOD Chairman Independence.** The BOD Chairman does not hold any executive management position within the company or within any affiliated or subsidiary company. [JC C2.5]	Good practice calls for the separation of BOD Chairman and any senior executive management position (including CEO) to improve BOD accountability, decision making, and to build strong effective BODs.		
	6. **BOD Information Access.** Have written policies and procedures been implemented, which authorize BOD access to all required corporate information and data to enable them to perform their duties and to be aware of all aspects of the company's work? [JC C2.9]	Timely and complete access to all corporate data and information is paramount to the BOD's ability to carry out its duties and responsibilities efficiently and effectively.		
	7. **BOD Qualifications & Training Policy.** Have written policies been implemented, which specify the professional qualifications and training requirements for the BOD? [JC C2.6]	Ensuring the existence of highly efficient BODs requires that all director's have the appropriate competencies and skills needed to fulfill their board roles beyond the minimum, which may be required by effective Jordanian legislation. The adoption of a written policy as to professional qualifications and training requirements is necessary to ensure its implementation.		

Category	Questions	Justification	Yes/No	Points
	8. BOD Training Certification. Has every BOD member successfully completed an external, certificated training program designed to enhance their performance and skills as a Director? [JC C2.6]	All BOD members should have the appropriate human competencies and skills needed to fulfill their board roles, and be aware of relevant legislation and the rights and duties of the board. At a minimum, all BOD members should be required to complete an external Corporate Governance Training and Certification Program to help build baseline skills and ensure an efficient and knowledgeable board.		
	9. External Consultant Policy. Have written policies and procedures been implemented, which empower the BOD to retain external consultants at company expense? [JC C2.11]	Access to external consultants for advisory opinions will facilitate and support independent BOD decision making and efficiency. The decision to retain external consultants should be taken by majority BOD vote, and the choice of external consultant should avoid any actual or apparent conflict of interest.		
2.BOD Duties and Responsibilities	**1. BOD Internal By-Law.** Has the BOD established internal regulations (by-laws), which define, in detail, the Board's powers, rights and responsibilities for each element described by Paragraphs 1-17 of JC Chapter 2, Section 1? [JC C2.S1.1]	[JSC to draft rationale for this question.]		
	3. Risk Management. Has the BOD adopted and implemented a company risk management plan, which clearly identifies and evaluates the various risk exposures affecting future business and financial performance, and the company's compliance with effective Jordanian law? [JC C2.S1.4; JC C2.S1.12; See also JC C5.S2.4]	The OECD, JC and effective Jordanian Disclosure Directives emphasize the importance of identifying, assessing, and disclosing material risk factors facing Jordanian listed companies and the measures taken to mitigate their impact. Risk related factors should also be discussed in the BOD report submitted in connection with the Annual Reporting process.		

Category	Questions	Justification	Yes/No	Points
	4. Financial Statement Disclosures. Has the BOD adopted an internal bylaw to provide at least three business days advance public notice of the release date of all financial statements required by Jordan Legislation, and JSC and ASE Directives? [JC C2.S1.6]	Advance notice of the release date of financial statements by filing a “Material Events” filing with the JSC will enhance corporate visibility by alerting securities market media, analysts and traders who track the company’s activities.		
	5. Disclosure & Transparency Policy. Has the BOD adopted an internal bylaw establishing a disclosure and transparency policy designed to ensure its timely compliance with effective Jordanian legislation mandating the disclosure of corporate financial and other material information? [JC C2.S1.7; see also JC C5.1]	International best practice, the OECD and Jordanian legislation, all stress the importance of timely and accurate disclosure of all conditions that may affect corporate business and especially financial performance. The inability to file timely reports is not only increasingly viewed as a serious violation of Jordanian legislation, it is viewed as a leading indicator of deficiencies in the internal audit and financial controls and processes typically associated with a properly managed company, which can negatively impact the company’s market valuation.		
	6. Insider Trading Policy. Has the BOD implemented written policies and procedures applicable to all employees, BOD members and EM, establishing prohibitions on insider trading and limitations on the trading of the company's listed securities during defined periods before and after the required filing of JSC financial disclosures? [JC C2.S1.8; JC C5.7]	SL Article 108(a), (b) and (c) prohibit the trading of securities based on inside information and the disclosure of such information .It is strongly encouraged that listed companies adopt written corporate policies and procedures to actively discourage insider trading and to limit the trading of the company’s listed securities during defined periods before and after the required filing of JSC financial disclosures under the various articles of the JSC Disclosure Directives.		

Category	Questions	Justification	Yes/No	Points
	7. **Authorization Policy.** Has the BOD adopted written policies defining the legal, contractual, purchasing and other authorities delegated to senior executives, management and other company employees? [JC C2.S1.9]	Defining delegated authority enhances both corporate operational efficiency and risk management practices.		
	8. **Shareholder Participation - General Assembly.** The BOD has implemented a mechanism, which permits shareholders the opportunity to: 1. Suggest agenda items for General Assembly consideration; and, 2. Speak in favor or in opposition to proposed General Assembly agenda items. [JC C2.S1.14]	The OECD encourages companies to facilitate broader and effective shareholder participation in matters brought to the shareholders for their review and approval.		
	9. **Shareholder Feedback Mechanism - Generally.** The BOD has implemented a mechanism to receive shareholder complaints and suggestions. [JC C2.S1.14]	See Q. 2.8, above.		
	10. **Stakeholder Policy.** Has a written policy been adopted by the BOD, which defines the company's relationship with its stakeholders, and includes also policies relating to the disclosure of all material: 1. Financial and business dealings with stakeholders; and, 2. Transactions with related parties? [JC C2.S1.16]	The OECD stresses the importance of disclosing all material financial and business transactions with stakeholders and related parties.		
	11. **Stakeholder Reporting Process.** Has the BOD implemented a process by which stakeholders are requested to provide reports on their financial and business dealings with the company, and any of its affiliates? [JC C2.S1.16]	It is strongly suggested that an independent process be established to document stakeholder financial and business dealings directly from the stakeholders. Such a process will improve the credibility of company's reporting on their stakeholder dealings, as well as aid in assessing the quality of the policy's implementation.		
	12. **Mission Statement.** Has a written "Mission Statement" been adopted and disseminated by the BOD, which clearly defines key corporate objectives and priorities, and takes into	OECD and JC emphasize the need to publicly disclose key corporate objectives and report on the extent to which these objectives have been realized. This can ideally be accomplished through the Annual Report process, as well as through		

Category	Questions	Justification	Yes/No	Points
	account the interests of the company's various stakeholders? [JC C2.S1.1; JC C2.S1.16]	the adoption of an organizational "Mission Statement".		
	13. BOD / EM Incentive Plans. Has an incentive system or plan been implemented for BOD members and EEM positions, which clearly links objective BOD / EM performance criteria with their compensation and bonuses? [JC C2.S1.15]	Compensation and incentive plans for BODs and senior executive management should be clearly linked to their individual performance evaluations and the performance of the company as a whole.		
	14. Corporate Governance Policy. Has the BOD implemented written policies and procedures designed to establish the company's corporate governance goals and objectives beyond legally mandated minimums, and a process to evaluate their implementation? [JC C2.S1.17]	The extent to which the company has adopted corporate governance policies and procedures establishing goals and objectives beyond the legally mandated minimums should memorialized in a written corporate governance policy, a summary of which should be published as an integral part of the company's annual report.		
	15. EM Performance Measurement. Has the BOD implemented a performance measurement process to assess EM performance collectively, and individually, against established benchmarks? [JC C2.S1.13]	The BOD is responsible for setting an overall strategic corporate plan via specific policies, strategies and objectives. In order to measure progress towards achieving the strategic plan, an effective performance measurement system [e.g. Balanced Scorecard] is required. Executive management and the CEO should be involved in the benchmark setting process against which their individual performance and their compensation should be linked and measured. The monitoring mechanism should provide regular performance reports to the BOD during the course of the fiscal year.		

Category	Questions	Justification	Yes/No	Points
	16. BOD Performance Measurement. Has the BOD implemented a performance measurement process to assess BOD performance collectively, and individually, against established benchmarks? [JC C2.S1.1; JC C2.S1.16; JC C2.S1.17]	The OECD recommends as a best practice that BODs adopt appropriate mechanisms to annually evaluate board performance against clearly defined benchmarks -- for the BOD collectively, and on each BOD member, individually. Performance measurement is an essential corporate tool, which should be used to determine BOD compensation, training needs, and whether renewal terms or term limits might be warranted for sub-optimal performance.		
3. BOD Committees	**1. Nominations and Compensation (N&C) Committee.** Has the BOD established a Nominations and Compensation Committee to identify and nominate qualified candidates for BOD service, and to set policies related to their compensation? [JC C2.S2.1]	The OECD notes that boards should establish specialized committees, including a Nomination and Compensation committee, among others, to support the functions of the full BOD.		
	2. N&C Committee Chairman. Has the BOD established a Nominations and Compensation Committee, which is chaired by an independent BOD member as defined by the JC? [JC C2.S2.2]	To maintain objectivity in the nomination, election, and compensation setting processes, this committee should be chaired by an independent BOD member.		

Category	Questions	Justification	Yes/No	Points
	3. N&C Committee Composition. The Nominations and Compensation Committee is composed of not less than three, non-executive BOD members, at least two of which are independent as defined by the JC? [JC C2.S2.2]	To avoid the potential for internal conflicts of interest, this committee should be composed of not less than three, non-executive BOD members, at least two of which (including the committee chair), should be independent.		
	4. N&C Committee Policies. Have written policies and procedures been implemented, which define the duties and activities of the Nomination and Compensation Committee in accordance with JC C2.S2.1B, and which authorizes their access to all required corporate information and data to enable them to perform their duties? [JC C2.S2.3; JC C2.S2.6]	The nomination, election and compensation setting processes should be based on clearly written principles, policies and procedures, and be completely transparent. The committee should have complete access to all relevant corporate data and information relevant to carry out its duties and responsibilities efficiently and effectively.		
	5. N&C Committee Reporting. The Nomination and Compensation Committee produced a written report of its activities for the last fiscal year, which was distributed to shareholders at the company's last general assembly annual meeting. [JC C2.S2.5]	The written report of the N&C Committee should be made available to shareholders participating at the company's annual general assembly meeting to facilitate informed decision making by shareholders. See Q.3.4, above.		
	6. Audit Committee Chairman. Has the BOD established an independent Audit Committee, which is chaired by an independent BOD member? [JC C2.S2.2]	The JC and OECD recommend the establishment of a specialized Audit Committee to support the functions of the full BOD. The Audit Committee Chairman should be a non-executive BOD member and support BOD oversight of an internal audit department.		
	7. Audit Committee Composition. The Audit Committee is composed of not less than three, non-executive BOD members, at least two of which are defined as independent. [JC C2.S2.2]	Audit Committee composition should be designed to minimize the potential for conflicts of interest, and to maintain the independence and objectivity of its decision making.		
	8. Audit Committee Policies. Have written policies and procedures been implemented, which define the duties and activities of the Audit Committee, and which authorize their access to all required corporate facilities,	The governance and operational competencies of the Audit Committee should be based on clearly written principles, policies and procedures, and be completely transparent. The committee should have		

Category	Questions	Justification	Yes/No	Points
	information and data to enable them to perform their duties? [JC C2.S2.3; JC C2.S2.6; JC C5.S1.3]	complete access to all relevant corporate data and information relevant to carry out its duties and responsibilities efficiently and effectively.		
	9. **Audit Committee Reporting.** Did the Audit Committee produce a written report of its activities for the last fiscal year, which was distributed also to shareholders at the company's last annual general assembly meeting? [JC C2.S2.5]	The exercise of effective shareholder rights at the annual general assembly meeting is facilitated by the distribution of the Audit Committee's report at or before the time the general meeting is conducted.		
4. General Assembly Meetings	1. **GA Notice Requirement.** For the past fiscal year, was at least 21 calendar days advance written notice provided to all shareholders of record entitled to attend the Annual General Assembly? [JC C3.3]	Written advance notice of GA meetings, together with a written agenda, related summary information, and copies of reports to be considered should be a best practice to implement for Jordanian listed companies. Providing advance notice and related documentation would enable shareholders an adequate opportunity to prepare, attend and to participate fully at GAs in exercise of their shareholder rights.		
	2. **GA Agenda Content.** For the past fiscal year, did the written notice of the Annual General Assembly include a written agenda, together with summary information related to the agenda items to be discussed? [JC C3.3]	See Q. 4.1 above.		
	3. **GA Governance.** The company has adopted a written policy prohibiting the introduction and consideration of topics not previously disclosed in the agenda accompanying the notice of the General Meeting. [JC C3.4]	Good corporate governance practice requires companies to respect shareholder rights by conducting GA meetings fairly, openly and transparently. Last minute changes to the previously announced GA agenda and proposed resolutions manifestly infringe on shareholder rights.		

Category	Questions	Justification	Yes/No	Points
	4. GA BOD Nominations. The company has adopted a written policy which permits individual shareholders sufficient time to nominate themselves for BOD membership in accordance with JC C3.5?	JC C3.5 recommends that shareholders be permitted to nominate themselves for BOD membership by sending their CV to the company prior to the end of the fiscal year preceding the year in which the GA would meet to elect the BOD. If permitted, JC C3.5 recommends further that the CV be attached to the GA invitation sent to shareholders.		
5. Shareholder Rights	**1. Dividend Policy.** Has the company has adopted a written policy and procedure to distribute dividends to shareholders within 30 calendar days from the date of their declaration by the GA? [JC C4.S1.6]	Timely distribution of shareholder dividends within 30 calendar days of their declaration by the GA is considered to be a local Jordanian best practice.		
	2. Dividend Timeliness. The company distributed its latest declared dividend to shareholders within 30 calendar days from the date of their declaration by the GA. [JC C4.S1.6]	See Q.5.1, above.		
	3. Pre-Emptive Rights. Has the company has adopted a written policy and procedure to extend pre-emptive rights to its existing shareholders in connection with an offering of shares in private placement to new investors? [JC C4.S1.7]	Preemptive rights are designed to provide for the possibility of proportional participation of all existing shareholders in a subsequent private placement of shares. Existing shareholders or any subset of existing shareholders should not be unilaterally precluded from participating in such share offerings, which would otherwise potentially infringe and dilute their ownership rights and interests, respectively.		
	4. EGA BOD Change. Has the company has adopted bylaw or article changes permitting 20% of its shareholders to call an extraordinary general assembly meeting to replace one or more members of the BOD, including the BOD Chairman? [JC C4.S1.11]	[JSC to insert local Jordan rationale for setting the percentage at 20%]		

Category	Questions	Justification	Yes/ No	Points
	5. Shareholder Audit Request. Has the company adopted bylaw or article changes permitting 10% of its shareholders to request an audit of the company's activities and records? [JC C4.S1.12]	[JSC to insert local Jordan rationale for setting the percentage at 10%]		
6. Disclosure & Transparency	**1. Disclosure & Transparency Policy Procedures.** Has the BOD adopted written procedures to implement a disclosure and transparency policy designed to ensure its timely compliance with effective Jordanian legislation mandating the disclosure of corporate financial and other material information? [JC C5.1; see also JC C2.S1.7]	See Q. 2.5, above.		
	2. Material Events. Has the BOD implemented a policy mandating the immediate and timely disclosure of all information relating to material events affecting its financial performance in accordance with effective Jordanian legislation? [JC 5.0.1]	See also 4.1, above. Having in place a BOD policy mandating the immediate and timely disclosure of all information relating to material events affecting all aspects of business and financial performance is strongly recommended. The failure to make such disclosures on a timely basis increases regulatory scrutiny for potential insider trading violations. Information relating to material events encountered by the company should be incorporated and discussed in the Annual Report.		
	3. Corporate Website. Has the company established an internet web site, which can be used to publish information relevant to its activities? [JC 5.0.4]	International best practice strongly suggests that listed companies publish all material financial and non-financial information via the internet. The JSC strongly recommends that ASE listed companies establish and maintain corporate websites to post all information		

Category	Questions	Justification	Yes/ No	Points
		relevant to its activities, including, but not limited to, all information and documents for which public disclosure is required under Jordanian legislation. Internet disclosure has increasingly become the media of choice for the dissemination of financial market data and information, as it reaches the widest possible audience of stakeholders in the most cost-effective manner.		
	4. **Corporate Website – Financial Reports.** For the past fiscal year, did the company publish all of its JSC filed periodic financial reports (Quarterly, Semi-Annual, Preliminary-Annual, and Annual) in full on the company internet website? [JC 5.0.1; JC 5.0.2; JC 5.0.4]	See Q.4.3, above. All information and documents for which public disclosure is required under Jordanian legislation should be posted in full on the company's internet website.		
	5. **Corporate Website Content – Material Events.** Does the company publish all of its JSC material events filings in full on the company internet website? [JC 5.0.1; JC 5.0.2; JC 5.0.4]	See Q.4.3, above. All information and documents for which public disclosure is required under Jordanian legislation should be posted in full on the company's internet website.		
	6. **Environmental and Community Policies.** Has the BOD implemented a policy requiring it to disclose the environmental impact of its activities, and its activities with respect to the local communities in which it operates? [JC 5.0.6]	The OECD and international best practice has increasingly recognized the importance of adopting corporate social responsibility policies. These policies increasingly focus on assessing the environmental impact of corporate activities, and describing activities undertaken for the benefit of the communities in which the company operates.		

Category	Questions	Justification	Yes/No	Points
7. Audit Committee	**1. Audit Committee Qualifications I.** All audit committee members have knowledge and experience in the fields of accounting and finance. [JC C5.S1.1]	The operational effectiveness of the Audit Committee requires that its member directors have the appropriate competencies and skills needed to fulfill their board roles beyond the minimum which may be required by effective Jordanian legislation. The adoption of a written policy as to professional qualifications and training requirements is necessary to ensure its implementation		
	2. Audit Committee Qualifications - II. At least one audit committee member has worked previously in the accounting or finance fields, and possesses an academic or professional certificate in accounting or finance or related fields. [JC C5.S1.1]	See Q.7.1, above.		
	3. Audit Committee Policies. Does the Audit Committee have the authority to retain external, expert consultants at company expense? [JC C5.S1.3]	See Q.1.9, above.		
	4. External Audit Meetings. The Audit Committee has met at least once during the past fiscal year with the company's external auditor in the absence of senior executive management to discuss the findings and results of the external auditor's report. [JC C5.S1.4]	Meeting with the company's external auditor in the absence of senior executive management is essential to having an open and candid discussion of the adequacy of internal audit and financial controls and processes typically associated with a properly managed company. [JC 5.1.4]		

Category	Questions	Justification	Yes/No	Points
	5. **Compliance Monitoring.** Has the Audit Committee adopted procedures consistent with the company's risk management plan to monitor the company's compliance with effective Jordanian law, regulations and directives? [JC C2.S1.4; JC C2.S1.12; JC C5S2.4]	See Q.2.3, above.		
	6. **Related Party Transactions Review.** The Audit Committee has implemented a written policy to review and approve all related party transactions prior to their ratification by the full BOD. [JC C5.S2.12]	Audit Committee review of related party transactions reduces the potential risks associated with related party transactions, including conflicts of interest and less than arm's length financial terms. A two-step review process by the Audit Committee, followed by BOD review is a recommended best practice.		
	8. External Auditor	**1. External Auditor Rotation Policy.** The BOD has implemented a written external auditor rotation policy, requiring a change in the company's designated external auditor at least once every four years, and with at least a two-year waiting period before re-appointment of the same outgoing auditor. [JC C5.S4.2]	The JC strongly recommends the adoption of a written policy to rotate the designated corporate external auditor to avoid conflicts of interest and to maintain external auditor objectivity in the performance of their duties.	

Category	Questions	Justification	Yes/No	Points
	2. External Auditor – Service Limitations. The BOD has implemented a written policy, which limits the external auditor to the delivery of services directly related to their external auditing function during the term of the auditor's appointment, and which prohibits the performance of other unrelated technical, administrative or consulting services. [JC C5.S4.3b]	An external auditor's engagement to perform corporate audit and accounting services must be exclusive, and incorporate the requirements of the company's written, External Auditor Policy. The delivery of services must be limited exclusively to auditing and accounting services, and prohibit the performance of other unrelated technical, administrative or consulting services.		
	3. External Auditor Policy III. The BOD has implemented a written policy, which prohibits the hiring, for any senior executive position, any employee of the company's current or former external auditor, unless a period of more than one year has passed since the date of such employee's termination of employment with the external auditing firm. [JC C5.S4.4]	The adoption of a policy requiring a one-year period waiting period before hiring an employee of the company's external auditor, is designed to avoid conflicts of interest or the appearance of a conflict of interest in the auditing process.		

APPENDIX C

JSC DRAFT QUESTIONNAIRE TRANSLATION (AUGUST 2008)

APPENDIX C – JSC DRAFT QUESTIONNAIRE TRANSLATION (AUGUST 2008)

Disclosure of Corporate Governance Rules Compliance

Company name:

Financial year:

Chairperson:

Governorance Committee Members:

CEO:

Tel:

Fax:

Board of Directors

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	Not Fulfilled	Reasons
1-	1	Company Regulation shall determine the number of members of the Board of Directors, provided that the number shall not be less than five persons and shall not exceed thirteen persons.				
2-	1	Board of Directors shall be elected according to accumulative voting by the general assembly through secret ballot				
3-	1	At least, one third of the Board of Directors shall be independent members.				
4-	3	Each moral Director shall nominate a natural person to represent him during the Board term.				
5-	5	It shall not be permissible for the Chairman to join any other executive position.				
6-	9	The Board of Directors shall ensure the availability of all information and data, related to the company, needed for the Directors to perform their jobs and to be familiar with all aspects related to company's work.				
7-	6	Board Director shall be qualified and shall have the sufficient knowledge and expertise in management and legislations related to the Board's rights and obligations.				
8-	11	Board of Directors may use any External Consultant, at the expense of the company, upon a consent of the majority of Board members and in avoidance of interests' conflict.				

Board's Responsibilities and Duties

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1-	1	The Board shall establish an Internal Regulation (to be annually reviewed) to determine, in details, powers, authorities and duties of the Board.				
2-	1 4 6 7 8 9 14 14 16 15	The Internal Regulation shall be expected to include the following powers and responsibilities: A- To set up strategies, plans, policies and procedures that may achieve the company's interests and objectives and maximize profits of shareholders and local community. B- To establish a Risk Management Plan. C- Disclosure date of the current financial data shall be announced before three working days at least. D- To set up the transparency and disclosure policy of the company and to follow up the implementation of such policy according to Monitory Authorities requirements and effective legislations. E- To set the required procedures that prevent conversant persons from utilizing the internal confidential information for personal or material interests. F- To set a clear policy for authorization in the company. G- To set a mechanism for receiving complaints and suggestions of shareholders.				

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
	17	H- To address suggestions ,submitted by shareholders and related to particular issues, on the Agenda of the General Assembly meeting in order to study it and take the appropriate decision in respect of it during specific period of time. I- To set a policy regulates the relationship with stakeholders. J- To adopt rules of awarding allowances and incentives for the Board members and Executive Administration. To set written procedures for the implementation of reasonable governance rules in the company and review and evaluate its implementation.				
3-	13	Performance of Executive Administration of the company shall be evaluated and revised in terms of implementation of determined plans, strategies and procedures				
4-	12	Any step found to be necessary for auditing the performance of the company should be established.				
5-	12	An Internal Auditing Unit shall be established to ensure the implementation of effective legislations and the requirements of the auditing bodies, as well as the internal policies, plans and procedures set by the Board of Directors.				

Committees formed by the Board of Directors

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1-	7	A reasonable number of committees shall be formed, according to the company's needs and conditions, in order to enable the Board of Directors performing its duties effectively.				
2-	1/b	The Board of Directors shall form the following two committees: Auditing Committee and Nomination & Rewards Committee.				
3-	2	Both committees shall be formed of non-executive Board Directors. The number of committee' members shall not be less than three including two independent directors, provided that one of the two shall be the Head of the committee.				
4-	3	Each committee shall establish, upon consent of the Board, a written Action Plan to regulate its performance and to determine its obligations.				
5-	4	Decisions and recommendations raised by the two committees shall subject to majority.				
6-	5	Both committees shall raise its decisions and recommendations to the Board of Directors. In addition, a report shows their performance shall be displayed at the Ordinary General Assembly meeting of the company.				
7-	1/b	Nomination & Rewards Committee shall have the following responsibilities: 1. Continuously, ensure independence of independent Directors. 2. To prepare the policy of granting rewards,				

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
		privileges, incentives and salaries and to review such policy annually. 3. Assessment of the company's needs of expertise at the level of the Higher Executive Administration as well as to determine the needs of employees and selection criteria. 4. To prepare the human resources and training policy of the company as well as to monitor the implementation of such policy and review it annually.				
8-	6	Nomination & Rewards Committee shall have the following authorities: 1. To request any data or information from concerned employees. Such employees shall fully cooperate with the committee and provide the complete and accurate information. 2. To call legal, financial, managerial or technical consultancy from any external consultant.				

General Assembly meetings

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1	3	Board shall send call to the shareholder's e-mail to attend the General Assembly meeting before 21 days from the date of meeting, provided that reasonable arrangements and procedures shall be established for the meeting including the selection of time and place.				
2-	6	The date and place of the General Assembly meeting shall be announced in three different local daily newspapers.				
3-	4	It is forbidden to address any new concerns on the Agenda of meeting, unless it has been addressed on the original sent Agenda.				
4-	5	Any shareholder wish to nominate himself for the Board membership shall send his CV before the end of the financial year preceding the year at which the General Assembly meeting for Board election shall be hold.				
5-	5	The Board shall enclose the candidate's CV with the invitation sent for shareholders to attend the General Assembly meeting.				

Rights of Shareholders

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1	6 7 8 11 12	The company shareholders shall have the following rights: a) To earn annual profits achieved by the company within thirty days from the date of a decision of profit distribution issued by the General Assembly. b) Priority to subscribe in public offering before it is offered for other investors. c) To use alternate means of Disputes Settlement including conciliation and arbitration, in case of violation of effective legislations or Articles of Association of the company, default or failure in company management or disclosure of confidential information related to the company. d) Call for an extraordinary meeting to terminate the Board of Directors or any of the Directors (for shareholders who own 20% of the company shares). e) Call for auditing the performance and the books of the company (for shareholders who own 10% of company shares)				
2	13	General Assembly has extensive authorities, in particular taking decisions that affect directly the company's future, including the sale of the company's assets in whole or a material part of it which affects the company's objectives.				

Disclosure and Transparency

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1-	1	The company shall set written procedures, according to the Disclosure Policy adopted by the Board of Directors to arrange disclosure issues and following up the implementation of such policy according to the requirements of monitory authorities and effective legislations.				
2-	2	The company shall provide shareholders and investors with disclosure information including the disclosures related to the following: a. The properties of the conversant persons' relatives, including the members of the Board of Directors and members of the Higher Executive Administration, of securities issued by the company. b. Transactions between stakeholders and the company. c. The privileges of the Board of Directors and the Executive Administration members.				
3-	4	The company shall use its website to enhance disclosure, transparency and to provide information.				
4-	5	The company shall disclose its policies and programs concerning the local community and environment.				

Auditing Committee

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1-	1	All committee members shall have the knowledge and expertise in financial issues and accountancy. At least, one of the members shall have a previous experience, a scientific or a professional certificate in accountancy or finance or any other relevant field.				
3-	3	The company shall provide all the required resources for the committee so it became enabled to perform its duties, *inter alia* using experts whenever it is necessary.				
3-	4	The Auditing committee shall meet the External Auditor of the company, in absence of any member of the Executive Administration or any of its representatives, at least once a year.				
4-	4	The Committee shall follow up the implementation and compliance of the provisions of effective legislations and the rules of monitory authorities by the company.				
5-	12	The Committee shall review transactions to be signed between stakeholders and the Board of Directors before endorsement.				

The External Auditor

	Article Number	Rule	Completely Fulfilled	Partially Fulfilled	None	Reasons
1-	2	The external auditor shall perform his/her duties for one full renewable year, Provided that the responsible partner of the External Auditor shall not occupy the audit of the company's accounts for a period exceeding four successive years. The company may re-assign him/her for the same mission after two years at least.				
2-	3 / b	The company shall undertake not to use the External Auditor for any additional duties for its private interest, such as technical and managerial consultancy.				
3-	4	The company shall not assign any employee from the External Auditing Office at the Higher Executive Administration, unless after the expiry of one year, at least, from his/her termination date of auditing the company's accounts.				

APPENDIX D

DRAFT CGRI IMPLEMENTATION WORK PLAN

[redacted]

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