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# Esstar Group Corporate Governance Code

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## Essdar Group

### CORPORATE GOVERNANCE CODE

Essdar Capital Holdings Limited, its affiliates and subsidiaries (collectively **Essdar Group**) is committed to the highest ethical standards and international best practice with respect to corporate governance. Essdar Group believes that good corporate governance is a critical factor in achieving business success and as such is committed to adhere to best practices in corporate governance in fulfilling its responsibilities to shareholders. In addition to the issue of the Essdar Group Ethics Guidelines, which will foster and promote integrity, transparency and efficiency, Essdar Group has adopted a corporate governance code to reflect international best practice. This Corporate Governance Code (the **Code**), by which the Essdar Capital Holdings Limited Board of Directors and Executives direct, manage and control the operation of the business of Essdar Group, will sit within the framework of effective accountability to protect, enhance and realise the interests of stakeholders.

The Code embodies the principles of the Ethics Guidelines, meets the standards of governance expected of a financially regulated firm and adheres to the rule of law as it applies to the corporate constitution and operations of Essdar Group.

The Code has been adopted by the Essdar Capital Holdings Limited Board of Directors to assist the Board, all Essdar Group management and employees to fulfil their duties and exercise their responsibilities. The Code influences how the objectives of Essdar Group are set and achieved, how risk is monitored and assessed and how performance is optimised. Essdar Group directors, officers and staff are enjoined to implement and observe the Code and to consider it the minimum framework of principles within which Essdar Group operates.

The Code shall be kept under constant review and revision to meet the emerging standards of good corporate governance practices. It is a 'living' document which will be subject to review and if appropriate change from time to time by the Board.

The Code has been drafted in consideration of international best practice, including OECD Principles of Corporate Governance and established guidelines for financial institutions around the world, in addition to the Dubai Financial Service Authority (**DFSA**) Authorisation Requirements and other DFSA Rules applicable to Authorised Firms.

The Code is divided into two (2) parts, namely:

- Part A** - **Declaration of Corporate Principles**
- Part B** - **Corporate Governance Rules and Principles:**

## **PART A - DECLARATION OF CORPORATE PRINCIPLES**

Essdar Group, through its Board of Directors, declares the following:

### **1 ESSDAR GROUP's MISSION:**

The mission of Essdar Group is to:

- provide a world-class financial services group acting with honesty and integrity throughout all levels;
- enhance the financial sophistication of the Middle East market and engage UAE nationals in financial services business; and
- play a key role in furthering human development within the UAE, GCC and beyond.

### **2 ESSDAR GROUP's OBJECTIVE:**

The business affairs of Essdar Group are managed under the direction of the Board, which represents and is accountable to the shareholders of Essdar Group. The Board's responsibilities are active and not passive and include responsibility to regularly evaluate the strategic direction of Essdar Group, management policies and the effectiveness with which management implements its policies.

### **3 ESSDAR GROUP's STAKEHOLDERS:**

Essdar Group's Stakeholders each have a vested stake in the growth and success of Essdar Group. In turn, Essdar Group recognises that it plays an important role to assist its Stakeholders to achieve their objectives and aspirations. Essdar Group Stakeholders include:

- Clients;
- Employees;
- Shareholders;
- Competitors;
- DFSA; and
- UAE Federal Government, Emirates of Dubai and Abu Dhabi, and DIFC Authority.

Essdar Group aims to protect and enhance the interests of its Stakeholders by committing itself to the following principles:

- ❖ The **Clients** are its reason for being and therefore Essdar Group must be fully responsive to their needs. Essdar Group has the responsibility to:
  - provide the Clients with the highest quality products, consistent with their requirements and with international standards;
  - treat the Clients fairly, courteously and with integrity in all of the business transactions;
  - act promptly on their legitimate complaints and be receptive to their long-term needs and interests.
- ❖ The **Employees** are the most valued assets and therefore they should always be treated with dignity and in full consideration of their interests. Essdar Group has the responsibility to:
  - provide its employees with incentives and opportunities for professional growth and advancement;
  - provide its employees with just and competitive compensation;
  - guarantee fairness, equal treatment, opportunity and avoid discriminatory practices;
  - provide suitable and safe working conditions to protect employees from avoidable injury and illness in the workplace; and
  - provide open and honest communication and sharing of information that promote teamwork, productivity and empowerment.
- ❖ The **Shareholders** are its principals and therefore the confidence they have demonstrated through their investment must be justified. Essdar Group has the responsibility to:
  - apply professional and diligent management to ensure the financial viability of Essdar Group and maintain a fair and competitive return for the Shareholders; and
  - conserve and enhance the shareholders' assets, and fulfil and safeguard their interest.
- ❖ The **Competitors** are its catalyst towards continuing service excellence and therefore the competition with them should be fair and honest, a basic requirement for social and economic development. Essdar Group has the responsibility to:
  - promote behaviour that demonstrates mutual respect among competitors; and
  - maintain the highest level of business ethics and integrity.
- ❖ The **DFSA** is the financial regulator for Essdar Capital Limited and Essdar Capital Managers Limited's business environment. Essdar Capital Limited and Essdar Capital Managers Limited have the responsibility to:
  - uphold and maintain at all times the highest standards of business ethics;
  - adhere to the regulatory requirements;
  - help the regulator in its efforts and programs towards raising investor confidence, development of the financial market, and sustained economic growth through good corporate governance;

- contribute to the economic development of the DIFC;
- ❖ The **Government** (including but not limited to the Federal Government of the United Arab Emirates, the Rulers of Dubai and Abu Dhabi, DIFC Authority, Cayman Islands Government) is the creator of the judicial life, regulator of its global operations and protector of its business interest. Essdar Group has the responsibility to:
  - promote and stimulate sustainable and responsible development;
  - fulfil its social responsibilities as a good corporate citizen;
  - observe and comply at all times with the orders, rules and regulations of the government, their organs and agencies, in the pursuit of the government's objectives and aspirations.

## **PART B - CORPORATE GOVERNANCE RULES & PRINCIPLES**

### **1 THE BOARD**

#### **1.1 Composition of the Board**

1.1.1 Essdar Group companies will at all times endorse the appointment of non-executive directors as well as independent directors on to their Boards. If there are to be Executive Directors they will be of the appropriate seniority such as the Chief Executive Officer (CEO) or Chief Compliance Officer (CCO).

1.1.2 The objective is that at least twenty percent (20%) of each of the Essdar Group companies Boards will be independent directors.

1.1.3 The Boards shall issue its resolutions in a form which will identify:

- (a) the resolution number;
- (b) the Board members;
- (c) the date;
- (d) the relevant subject;
- (e) the decision of the Board;

and will bear the signature of the Chairman or his delegate on behalf of the Directors.

1.1.4 When matters for resolution of the Board involve a perceived conflict of interest affecting the Chairman, the Chairman must appoint a director from among the independent directors temporarily to preside in the meeting to ensure the independence of the Board.

1.1.5 A independent director must:

- (a) not provide any other services to Essdar Group, including but not limited to professional services;
- (b) not receive from Essdar Group compensation, income or emoluments other than that pertaining to a director;
- (c) be able to provide independent judgement and outside experience and objectivity, not subordinated to operational considerations, on all issues which come before the Board;
- (d) acquire and maintain sufficient knowledge of the business to render sound judgements on issues, matters and/or concerns which come before the Board;

- (e) possess the highest degree of integrity and commitment toward the achievement of Essdar Group corporate governance principles; and
- (f) be competent in formulating corporate strategies/policies and its implementation.

1.1.6 In addition to the above, an independent director must:

- (a) be independent in character and judgement;
- (b) have no relationships or circumstances that are likely to affect or could appear to affect the director's judgement in a manner other than in the best interests of Essdar Group.

## **1.2 Duties and Responsibilities of the Board**

1.2.1 It will be the Board's duty and responsibility to foster the long-term success and competitiveness of Essdar Group in a manner consistent with the Board's fiduciary responsibility, which it shall exercise in the best interest of Essdar Group and its stakeholders.

1.2.2 The Boards shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

## **1.3 General Responsibility**

1.3.1 A director's office is one of trust and confidence. A director must act in a manner characterised by transparency, accountability and fairness.

1.3.2 The function of the Boards will include:

- a) review and approval of the corporate mission, objectives and strategies and thereafter, to oversee and monitor organisational performance and the achievement of the specific Essdar Group entity's strategic goals and objectives;
- b) to ensure Essdar Group entities' compliance with all applicable financial services regulation;
- c) to appoint and assess the Executive including the CEO, CCO and other senior executives;
- d) review and approval of the annual budget and financial plans;
- e) to monitor financial performance and liaise with the relevant Essdar Group entity's auditors;
- f) to ensure effective management processes are in place and to scrutinise and question the actions of the Executive;

- g) to approve major Essdar Group entity initiatives (where such initiatives are deemed appropriate);
- h) to enhance and protect the reputation of Essdar Group;
- i) to address risk and put in place appropriate measures to manage risk including identifying key risk areas and key performance indicators and monitor these factors with due diligence;
- j) report to and communicate with the Shareholders.

1.3.3 To ensure best practice for Essdar Group, the Boards will:

- a) adopt a professional development program and succession plan for members of the Executive;
- b) review and approve written policies and guidelines prepared by the Executive on major capital expenditure consistent with the Shareholders Agreement;
- c) ensure best business practice;
- d) identify the Essdar Group's major and other stakeholders and formulate a clear policy on communicating or relating with them including through effective involvement (as appropriate);
- e) adopt a system of internal checks and balances;
- f) properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted; and
- g) ensure Essdar Group adheres to its Articles of Association.

#### **1.4 Specific Responsibilities of the Board**

1.4.1 The following matters will not be undertaken without the prior written approval of the Boards:

- (a) any acquisition or disposal (whether in a single transaction or series of transactions) by Essdar Group entity of any business (or any material part of any business) or any material assets not being a transaction in the ordinary course of business of Essdar Group entity;
- (b) any financial expenditures or loan arrangements not already provided for in Essdar Group entity Budget;
- (c) the entry into or termination by Essdar Group entity of any material partnership or joint venture;

- (d) the adoption of (or variation to) the material policies from time to time of Essdar Group entity regarding officers' or directors' remuneration, terms of employment and pension schemes;
  - (e) the entry into by Essdar Group entity of any material contract, liability or commitment which is long term, or unusual in nature, or is outside the ordinary course of business of Essdar Group entity;
  - (f) the assignment, distribution, agency, resale or marketing of rights to any third party;
  - (g) any major equity and debt structuring;
  - (h) any material acquisition or disposal by Essdar Group entity (including any material acquisition or grant of a license) of or relating to any Intellectual Property.
- 1.4.2 A full agenda and comprehensive Board papers shall be circulated to all directors well in advance of each Board meeting. In addition, full Board minutes of each Board meeting and Committee meeting shall be kept at the relevant Essdar Group entity and will be available for inspection by any director (subject to there being no actual or possible conflict of interest) during office hours.

## **1.5 Internal Control Responsibilities**

- 1.5.1 The Board's internal control and oversight responsibilities include, but are not limited to, the following:
- (a) review of proposed senior management appointments;
  - (b) review Essdar Group's personnel and human resources policies and sufficiency, conflict of interest situation, changes to the compensation plan for employees and succession plan for officers and management;
  - (c) ensure that effective internal and external audit mechanisms are in place to monitor the adequacy and effectiveness of the organisation's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts;
  - (d) institute organisational and procedural control supported by an effective management information system and risk management reporting system; and
  - (e) assigning detailed level of authority to be vested in the Executive.

## **1.6 Qualifications of Directors**

1.6.1 Every director shall be able to set the course for the future direction and success of Essdar Group. In addition to having business and financial skills, a director should be able to:

- (a) understand the different stakeholders' interests;
- (b) understand and action the Corporate Principles in this Code;
- (c) develop a strategic plan in accordance with identified priorities;
- (d) evaluate and guide the CEO to develop and adopt policies that direct and control operations.
- (e) monitor the performance of the relevant Essdar Group entity;
- (f) offer proven levels of integrity/probity; and
- (g) adhere to legal and moral principles so that neither the director nor Essdar Group entity will be brought into disrepute.

1.6.2 Every director must also at the minimum be a college graduate (or possess equivalent tertiary education) or have sufficient experience in business management to substitute for such formal education.

## **1.7 Disqualification**

1.7.1 A director will be disqualified from serving on the Board in the circumstances as follows:

- (a) conviction by final judgement of an administrative or criminal offence committed through fraudulent acts (or omissions) or involving moral turpitude or dishonesty;
- (b) becomes bankrupt;
- (c) brings Essdar Group into disrepute.
- (d) when there is conflict of interest and the director's interest directly competes with Essdar Group's business. In case the conflict is not of a serious nature, the director must declare the same to the Board and abstain from participating in the deliberation on matters affected by such conflict of interest;
- (e) refusal to fully disclose the extent of business interests as required by the Articles of Association, Ethics Guidelines and/or any applicable laws or regulations;
- (f) absence or non-participation (not including conference telephone or equivalent) without valid justification for more than fifty percent (50%), whether continuous

or broken, of all the meetings, regular and special, of the Board of Directors or any of the Board committees, where the director is a member, during his/her incumbency;

- (g) lacks the willingness, interest, and/or desire to dedicate enough time to adequately discharge his/her responsibilities;
  - (h) such other grounds or causes for disqualification as may be provided by laws, rules and regulations.
- 1.7.2 If an independent director becomes an officer or employee of an Essdar Group entity, the director's designation as an independent director is automatically terminated and s/he shall cease to be a director unless the Board retains her/him, and s/he qualifies, as a director.

## **1.8 Removal and Replacement of a Director**

- 1.8.1 The Board by majority vote of the members may remove or replace a director with just cause including, but not limited to, circumstances when a director may otherwise be disqualified.
- 1.8.2 If any vacancy occurs among the directors by death, disqualification, or removal from office or permanently incapacitated to perform his/her duties as a member of an Essdar Group entity Board, such vacancy may be filled through an election at any regular or special meeting of the Board of Directors. The replacement director shall be nominated by the Shareholder that nominated the predecessor. This newly elected director shall serve the Board only for the remaining term of his/her predecessor. Where such vacancy relates to an independent director, his/her replacement must meet the requirements for an independent director.

## **1.9 Duties and Responsibilities of a Director**

- 1.9.1 To conduct Essdar Group's business fairly and reasonably and to ensure that personal interest does not bias Board decisions (while recognising that certain directors will represent the interests of corporate shareholders).
- 1.9.2 To devote time and attention necessary to properly discharge the duties and responsibilities of a director.
- 1.9.3 To act judiciously.
- 1.9.4 To exercise sound judgment and business acumen.
- 1.9.5 To have a working knowledge of the statutory and regulatory requirements affecting the relevant Essdar Group entity, including the contents of its Articles of Association and where applicable, the requirements of other regulatory agencies.
- 1.9.6 To observe confidentiality of information.

1.9.7 To ensure the continuing soundness, effectiveness and adequacy of Essdar Group's control environment.

#### **1.10 Duties and Responsibilities of the Chairman**

1.10.1 The Chairman of each Board has responsibilities beyond those of other directors. Generally, those responsibilities relate to overseeing adequate processes to enable the Board to properly and effectively discharge its supervisory role. Those responsibilities include such things as:

- (a) call meetings, as well as, setting the agendas in coordination with the other directors;
- (b) the general performance of the Board;
- (c) ensure that all directors are properly briefed on issues arising at the Board meetings;
- (d) the flow of financial information to the Board;
- (e) preside over all Board meetings in a fair and impartial manner;
- (f) the establishment and maintenance of systems for information flow to the Board in sufficient time for the Board to review the information in order to enable them make informed decisions during Board meetings;
- (g) the public announcement of information;
- (h) to exercise other powers and to perform other duties as may be authorised by the Board from time to time; and
- (i) making recommendations to the Board as to the prudent management of Essdar Group.

#### **1.11 Duties and Responsibilities of the Chief Executive Officer**

1.11.1 Without prejudice to any restrictions that may be imposed by Essdar Group's shareholders or the relevant Essdar Group entity Board, the CEO is fully responsible for managing the day-to-day affairs of the relevant Essdar Group entity.

1.11.2 Subject to the power and authority of the relevant Board to revoke, modify or otherwise direct, the CEO will perform the following functions for the relevant Essdar Group entity:

- (a) operate and manage the day-to-day business and affairs of the Company consistent with fundamental operating principles, the Business Plan, the then-current Budget and keeping the Board advised thereon;
- (b) conduct strategic planning and create understanding and dialogue within the Executive about the corporate principles including the vision and strategy of the organisation;

- (c) utilise Essdar Group's property and funds under authority vested in him by the Shareholders and the Board of Directors;
- (d) represent Essdar Group's interests in interaction with outsiders;
- (e) hire and/or dismiss employees, except officers elected by the Shareholders or by the Board of Directors;
- (f) the maintenance of cash reserves and Company solvency;
- (g) prepare written reports on Essdar Group's operations and performance in the approved form on (at least) a quarterly basis and appear before the Board to address the Board on such reports;
- (j) to recommend to the Board policies and measures deemed necessary to carry out the objectives of Essdar Group;
- (h) organise the implementation of decisions of the Board and Shareholders and report back to these bodies;
- (i) propose revisions to the Business Plan or Budget for submission to the Board for approval;
- (j) open bank accounts necessary to conduct and transact Essdar Group's business;
- (k) delegate duties to deputies and determine the scope of their authority;
- (l) act on behalf of Essdar Group without a power of attorney, enter into agreements and contracts, and perform other legal actions within the scope of his/her powers;
- (m) issue Company drafts or cheques; and
- (n) issue orders and directions within the authority of the CEO.

## **1.12 Board Committees**

1.12.1 Essdar Group entities shall be managed on the basis of delegated authority to its directors and Executive subject to agreed levels of materiality.

1.12.2 The relevant Essdar Group entity Board of Directors will form Board Committees for the appropriate Essdar Group entities to aid good corporate governance as follows:

- (a) Audit and Risk Management Committee (for just Essdar Capital Limited and Essdar Capital Managers Limited);
- (b) Nomination and Corporate Governance Committee (for just Essdar Capital Limited and Essdar Capital Managers Limited), and

- (c) Compliance Oversight Committee (as a sub-Committee for the Audit and Risk Management Committee) (for just Essdar Capital Limited and Essdar Capital Managers Limited).
- 1.12.3 The relevant Board (or the Chairman of the Board with the approval of the Board) will elect the respective Committee chairmen.
- 1.12.4 Each Committee will act in accordance with its respective Terms of Reference and as a Committee of the Board in accordance with the Articles of Association on specific matters within its competence.
- 1.12.5 Committees are responsible for providing the Board with appropriate and timely information. If the information provided by Committees is insufficient, the Board will make further enquiries where necessary to which the chairman of the Committee responsible will respond as fully and promptly as possible.

### **1.13 Nomination and Corporate Governance Committee**

- 1.13.1 The Nomination and Corporate Governance Committee will comprise at least three (3) members who shall have a good understanding of the statutory and regulatory requirements affecting Essdar Group, Essdar Group's Ethics Guidelines and corporate governance issues generally.
- 1.13.2 The Board is free to appoint additional members to the Nomination and Corporate Governance Committee as it sees fit. Additional members can be appointed from inside or outside Essdar Group and/or the Board.
- 1.13.3 The purpose of the Corporate Governance Committee is to assist the Board in relation to:
- (a) development and ongoing review of the Company's corporate governance principles and this Code;
  - (b) development and ongoing review of Essdar Group's Ethics Guidelines;
  - (c) the Board's annual review of its performance; and
  - (d) the appointment of members of the Board to its committees.
- 1.13.4 The Nomination and Corporate Governance Committee shall:
- (a) develop and recommend to the Board the corporate governance principles in relation to the Company;
  - (b) maintain an ongoing review of the effectiveness of, and compliance with, Essdar Group's Corporate Governance Code and recommend changes to the Board where appropriate;

- (c) develop and recommend to the Board Ethics Guidelines to apply to members of the Board, members of the committees of Essdar Group, the Company's Executive and employees;
- (d) maintain an ongoing review of the effectiveness of, and compliance with, Essdar Group's Ethics Guidelines and recommend changes to those Guidelines to the Board;
- (e) review and report to the Board on its performance having regard to all relevant matters including (but not limited to):
  - (i) compliance by the Company with all applicable legal and regulatory requirements upon it, including compliance with its Licensing Requirements;
  - (ii) the leadership needs of the Company and their ability to ensure the continued ability of the Company to compete effectively in the marketplace;
  - (iii) the strategic issues and commercial changes affecting the Company and the Board's response to them;
  - (iv) whether the Board's arrangements are sufficient to provide effective ownership of the Company's executive management; and,
  - (v) whether the structure, size and composition (including the skills, knowledge and experience) meet the requirements upon the Board;
- (f) evaluate the balance of skills, knowledge and experience of each of the Board's committees and recommend directors for appointment to those committees as well as the Board.

1.13.5 The Nomination and Corporate Governance Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the relevant Board for approval.

#### **1.14 Audit and Risk Management Committee**

1.14.1 The Audit and Risk Management Committee will comprise at least three (3) members, who shall have a good understanding of audit and risk. Members of the Audit and Risk Management Committee will be appointed and/or removed by the Board from time to time.

1.14.2 The Audit and Risk Management Committee will comprise of the CCO and on completion shall re-constitute with the majority of the members being independent of the management team.

- 1.14.3 Chairman of the Audit and Risk Management Committee shall be an independent director and another shall have an understanding of auditing concepts and the basic audit process, related audit experience or professional accreditation as an auditor.
- 1.14.4 The Chairman and the CEO of the any Essdar Group entity Board will not be a member of the Audit and Risk Management Committee.
- 1.14.5 The Committee may invite other attendees including the Chairman of the Board, the CEO and/or other directors or members of the Executive or company employees as and when appropriate.
- 1.14.6 The external auditors will be invited to attend meetings on a regular basis.
- 1.14.7 The purpose of the Audit and Risk Management Committee will be to assist the Board in relation to fulfilling its oversight responsibilities for the financial and risk management of the Company, including responsibilities regarding:
- (a) the integrity of relevant Essdar Group entity's financial statements and other financial information provided to shareholders and others;
  - (b) the system of internal control;
  - (c) the engagement and performance of the independent auditors;
  - (d) the oversight of the internal audit function;
  - (e) the qualifications, independence and performance of the external auditors; and
  - (f) the Company's process for monitoring compliance with laws, rules and regulations, and applicable codes of conduct.
- 1.14.8 In addition, the Audit and Risk Management Committee shall:
- (a) initiate, at its discretion, investigations within the parameters of the foregoing responsibilities, and for that purpose with the approval of the Board, retain outside legal counsel, independent auditors, or any other such experts as it may deem appropriate;
  - (b) provide oversight over the Executive's activities in managing financial risks of the relevant Essdar Group entity;
  - (a) review and approve the annual internal audit plan which shall include monitoring and evaluating the adequacy and effectiveness of the relevant Essdar Group entity's internal financial management system;
  - (c) evaluate the integrity and accuracy of the relevant Essdar Group entity's financial reports as derived from its financial management system with written policies and procedures used by the entire organisation;

- (d) coordinate, monitor, and facilitate financial compliance with existing laws, rules and regulations in conjunction with, or independently from, the sub-committee Compliance Oversight Committee; and
- (e) monitor the maintenance of the accounting and auditing processes, practices and methodologies in compliance with the International Financial Reporting Standards (IFRS);
- (f) have such other duties and responsibilities as the Board may determine from time to time; and
- (g) report to the entire Board at such time as the Committee determines, but not less than twice a year on the activities described above.

### **1.15 Compliance Oversight Committee**

1.15.1 The Compliance Oversight Committee (as a sub-Committee for the Audit and Risk Management Committee) will comprise at least three (3) members and who shall have a good understanding of compliance issues.

1.15.2 The Chairman of the Compliance Oversight Committee (COC) shall be an independent director.

1.15.3 The CCO will be appointed as a member of the Compliance Oversight Committee.

1.15.4 The purpose of the COC will be to assist the relevant Essdar Group entity Board in relation to the following:

- (a) Supervise Essdar Group's compliance organisation, activities and risk profile;
- (b) Supervise and monitor and advise the Audit and Risk Management Committee on the effects of internal risk management and control systems including the enforcement of the relevant legislation and regulations, and overseeing the effects of code of conduct;
- (c) Overseeing Essdar Group's communications to personnel about the importance of compliance;
- (d) Reviewing and monitoring the compliance manual annually to maintain best practices or to reflect regulatory developments;
- (e) Taking charge of any remedial actions and/or disciplinary proceedings against Essdar Group Personnel for breaches of compliance policies;
- (f) Ensuring that the Compliance department is appropriately staffed, compensated, resourced and supported by other units in Essdar Group;
- (g) Approving any change of CCO and MLRO and having a consultative role on all senior-role appointments in Compliance;

- (h) Conducting an annual self-assessment and an external review of the Compliance Oversight Committee's own effectiveness, and providing a report thereof to the Board for evaluation and assessment;
- (i) Reviewing and approving procedures of Essdar Group to facilitate receipt, retention and treatment of complaints regarding breaches of compliance policy or Essdar Group Code of Ethics that are received by Essdar Group and the confidential, anonymous submission by employees of concerns regarding such matters.

#### **1.16 External Audit**

- 1.16.1 An External Auditor shall be selected and appointed by the Shareholders on recommendation of the Audit and Risk Management Committee.
- 1.16.2 The External Auditor of each Essdar Group entity shall not at the same time provide the services of an internal auditor. Essdar Group Executive will ensure that other non-audit work is not in conflict with the functions of the External Auditor.
- 1.16.3 The reason(s) for the resignation, dismissal or cessation from service of the External Auditor and the date thereof shall be reported in the relevant Essdar Group entity's annual and current reports. Any such report will include a discussion of any disagreement with the former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope procedure.
- 1.16.4 If an External Auditor believes that the statement made in the relevant Essdar Group entity's annual report, information statement or proxy statement filed during the External Auditor's engagement is incorrect or incomplete, s/he shall present her/his views in such a report or statement.

#### **1.17 Internal Audit**

- 1.17.1 Essdar Capital Limited and Essdar Capital Managers Limited will maintain a regular internal audit function to undertake an internal audit of its financial, compliance and operating functions and their risks. Such internal audit may be undertaken by either Essdar Group's own internal audit functions or outsourced to third parties.
- 1.17.2 The internal audit function will aid, assist and otherwise cooperate with the External Auditor.
- 1.17.3 The internal audit function will report annually to the Audit and Risk Management Committee which will circulate such report to the Nomination and Corporate Governance Committee.
- 1.17.4 The primary function of the internal audit function will be to conduct financial, operational and compliance audits with an emphasis on internal controls over financial reporting, disclosure controls and procedures. In addition, the internal audit function will:

- a) evaluate and assess operational and IT processes;
- b) remedy control deficiencies;
- c) undertake a cost-benefit analysis for internal audit functions;
- d) review and assess the annual internal audit work plan;
- e) prepare and present regular reports, at least annually, to the relevant Audit and Risk Management Committee;
- f) review and monitor management's responsiveness to the internal audit function's findings and recommendations;
- g) assess and report on risk exposures and undertake necessary risk management;
- h) conduct such other monitoring and reporting as is requested by the relevant Audit and Risk Management Committee, the Board and/or the Executive.

1.17.5 The internal audit function shall remain free and independent of all operational and commercial functions of Essdar Group.

## **2 DISCLOSURE AND TRANSPARENCY**

### **2.1 Disclosure of information**

2.1.1 It will be the responsibility of the applicable Board of Directors to ensure that relevant Essdar Group entity:

- a) discloses to the DIFC Authority, DFSA and any other relevant regulatory body, such information as is required to be disclosed at law;
- b) ensures and oversees the production of Essdar Group entity Annual Report to be circulated to the Shareholders.

2.1.2 Any disclosed information should be released (where such disclosure is applicable) via the approved procedure for Essdar Group entity announcements as well as through the annual report.

2.1.3 Essdar Group directors, committee members, Executives and employees shall take all necessary measures to ensure the delivery of communications and reports in a manner that facilitates the highest degree of clarity of content and meaning so that readers and users will be able to quickly and accurately determine their significance and consequence.

### **3 CONFLICTS, CONFIDENTIALITY AND WHISTLEBLOWING**

Essdar Group directors, committee members, Executives and employees will adhere to Essdar Group Ethics Guidelines in relation to matters concerning conflict of interest, confidentiality and Whistleblowing:

#### **3.1 Conflict of Interest**

3.1.1 Essdar Group directors, committee members, Executives and employees must avoid any position that does, or is likely to, or which could be perceived to place that person in conflict with the interests of Essdar Group and/or with their duties to Essdar Group. Full and proper disclosure as required must be made in each and every circumstance to the CCO (or in the case of the CCO, a designated independent director).

#### **3.2 Confidentiality**

3.2.1 Essdar Group directors, committee members, Executives and employees will keep confidential information learnt by virtue of their service in or access to Essdar Group. Confidential information includes, without limitation, information which, if disclosed, may have an impact on price or other market conditions, and any other information which is conveyed on a confidential basis in the course of their dealings in or with Essdar Group.

#### **3.3 Whistleblowing**

3.3.1 Essdar Group encourages proper and good faith whistleblowing in respect of suspected wrongdoing. Essdar Capital Limited and Essdar Capital Managers Limited's Compliance Manual has set out a clear policy on whistleblowing which shall apply to all directors, executives, other staff and members of the relevant Essdar Group entity committees.

3.3.2 Essdar Group directors, committee members, Executives and employees shall report to the CCO or an independent director any conduct of which they may have knowledge or suspect, which represents a failure to comply with local laws, regulatory regulations, and/or the Ethics Guidelines.

3.3.3 If the CCO or an independent director considers it appropriate, an investigation may be conducted in order to determine whether any unethical or illegal conduct has taken place. Investigations shall be directed in an independent and impartial manner.

3.3.4 All information regarding the investigation is strictly confidential and no person will be subject to any retaliation for a report made in good faith and in accordance with the Whistleblowing policies set out in Essdar Capital Limited and Essdar Capital Managers Limited's Compliance Manual.

### **4 SHAREHOLDERS' RIGHTS AND PROTECTION**

4.1.1 The Board shall respect all rights of the Shareholders provided for in the laws and regulations to which Essdar Group is subject, relevant Articles of Association and the contractual arrangements which the Shareholders have put in place, including right to

elect, remove and replace directors and that certain acts may not be undertaken by Essdar Group (and therefore the Board) without approval of the Shareholders.

## **5 COMPLIANCE AND MONITORING SYSTEM**

### **5.1 Compliance**

- 5.1.1 The relevant Nomination and Corporate Governance Committee shall be responsible for monitoring compliance with this Code. The Nomination and Corporate Governance Committee may delegate its responsibility for the day to day monitoring and reporting to a suitably qualified Essdar Group individual/s who shall report to the Nomination and Corporate Governance Committee.
- 5.1.2 The Nomination and Corporate Governance Committee shall perform the following duties in relation to this Code:
- a) monitor compliance with the provisions and requirements of this Code;
  - b) determine violation(s) of this Code and recommend action for violation thereof to be reviewed and approved by the Board;
- 5.1.3 The Chairman of the Nomination and Corporate Governance Committee will issue a certificate by 31 December of every calendar year on the extent of Essdar Capital's compliance with this Code for the completed year, explaining the reason for any deviation from the same (if any) and identifying, monitoring and reporting compliance risks.

### **5.2 Communication and Training Process**

- 5.2.1 All Company directors and executives are tasked to ensure the thorough dissemination of this Code to all employees and related third parties, and to enjoin compliance in the process.

### **5.3 Penalties for Non-Compliance with the Code**

- 5.3.1 It is the responsibility of every member of the Board and the Executive to comply with the Code.
- 5.3.2 The relevant Nomination and Corporate Governance Committee will monitor adherence to this Code and for implementing the provisions of this Section.
- 5.3.3 If the relevant Nomination and Corporate Governance Committee suspects that an individual has committed a violation of this Code, the Nomination and Corporate Governance Committee may instruct the relevant CCO. The CCO shall report its findings to the Nomination and Corporate Governance Committee who may require the individual concerned to respond to those findings. The Nomination and Corporate Governance Committee may then recommend action to be taken by the Board for such violation. Alternatively, the Board may call for its own independent investigation to be conducted by an alternate committee nominated by the Board and chaired by an independent director, duly appointed by the Board.

5.3.4 In the case of violation by an individual of any provision of this Code, the relevant Board may impose the following penalties:

- (a) In case of a first violation, he/she shall be reprimanded and provided a written warning;
- (b) In case of a second violation, the director or executive officer will be suspended from office. The duration of the suspension shall depend on the gravity of the violation;
- (c) For a third violation, the maximum penalty of removal from office may be imposed. This penalty shall be considered an additional disqualification to be elected as a member of the relevant Board. Furthermore, the breach/violation may be reported to the DFSA.

## **6 APPLICABILITY TO SUBSIDIARIES**

The Code will be made applicable and binding, and have full force and effect, on the Boards of Directors and officers of all subsidiary corporations.

## **7 SEVERABILITY CLAUSE**

The Board endeavours to comply at all times with the principles set out in this Code.

In case of conflict between this Code and the laws of the DIFC, the laws of the DIFC will prevail.

If the conflict is such that the affected provision of the Code is rendered invalid, the rest of the provisions of this Code shall remain valid.

## **8 COMMENCEMENT OF CODE**

This Code will commence with effect from a date to be advised by the Board.