

APPENDIX 5.1

THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

PREAMBLE

These principles are designed to enhance the legal, institutional and regulatory framework for good governance in the Maltese corporate sector. They thus complement the current provisions already in force in the Companies Act providing a comprehensive corporate governance framework based on the guidelines provided by the Organization for Economic Cooperation and Development.

These principles are targeting companies whose equity securities are admitted to listing on a Regulated Market but are not applicable to Collective Investment Schemes. Companies should endeavour to adopt these principles so as to provide proper incentives for the Board and management to pursue objectives that are in the interests of the Company and its shareholders. The principles should facilitate effective monitoring thereby encouraging issuers of equity securities to use resources more efficiently.

The adoption of these principles is expected:

- § to provide more transparent governance structures and improved relations within the market which should enhance market integrity and confidence;
- § to ensure proper transparency and disclosure of all dealings or transactions involving the Board, any Director, senior managers or Officers in a position of trust or other related party; and
- § to protect shareholders from the potential abuse of those entrusted with the direction and management of the Company by the setting up of structures that improve accountability to them.

The Code contains main and supporting principles and provisions. When preparing their corporate governance statement, listed companies should divide such statement in two parts. The first part should deal generally with the company's adherence to the main principles whilst the second part should deal specifically with non-compliance with any of the Code Provisions. The descriptions together should give shareholders a clear and comprehensive picture of a company's governance arrangements in relation to the Code as a criterion of good practice.

In relation to the requirement to state how it has applied the Code's main principles, where a company has done so by complying with the associated provisions (that is, the supporting principles and Code provisions) it should be sufficient simply to report that this is the case. Where a company has taken additional steps to apply the principles or otherwise improve its governance, it would be helpful to shareholders to describe these in the annual report.

If a company chooses not to comply with one or more of the Code provisions, it must give shareholders a careful and clear explanation which shareholders should evaluate on its merits. In providing an explanation, the company should aim to illustrate how its actual practices are consistent with the principle to which the particular Code provision relates and contribute to good governance.

While it is expected that listed companies will comply with the Code's provisions most of the time, it is recognised that departure from the provisions of the Code may be justified in particular circumstances. Every company must review each provision carefully and give a considered explanation if it departs from the Code provisions.

1. THE BOARD

Main principle

Every listed Company should be headed by an effective board, which should lead and control the company.

Supporting principles

- (i) Directors are stewards of a company's assets and their behaviour should be focused on adding value to those assets by working with management to build a successful Company and enhance Shareholder value.
- (ii) All Directors are required to provide leadership, integrity and judgment in directing the company.
- (iii) Leadership can only come about if the Directors, individually and collectively, are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision making process.

Directors should:

- (a) set the company's values and standards in order to enhance and safeguard the interests of shareholders and third parties;
- (b) act with integrity and due diligence while discharging their duties as Directors and in particular in the decision and policy-making process of the company, which should be reflected in all company's dealings and at every level of the organization;
- (c) exercise accountability to shareholders and be responsible to relevant stakeholders.

Code provisions

- 1.1 The board should be composed of persons who are fit and proper to direct the business of the company. The concept of fit and proper requires Directors to conduct themselves with honesty, competence and integrity.
- 1.2 The shareholders, as the owners of the company, have the jurisdiction and discretion to appoint or remove Directors on the board. The process of appointment should be transparent and conducted at properly constituted general meetings where the views of the minority can be expressed.
- 1.3 All Directors should:
 - 1.3.1 exercise prudent and effective controls which enables risk to be assessed and managed in order to achieve continued prosperity of the company;
 - 1.3.2 be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
 - 1.3.3 determine the company's strategic aims and the organizational structure;
 - 1.3.4 regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
 - 1.3.5 acquire a broad knowledge of the business of the company;

- 1.3.6 be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- 1.3.7 allocate sufficient time to perform their responsibilities; and
- 1.3.8 regularly attend meetings of the board.

1.4 In cases when a Director is unable to agree with a decision of the board because a proposed course of action is not deemed to be consonant with his statutory or fiduciary duties and responsibilities and all reasonable steps have been taken to resolve the issue, the Director may feel that resignation may be a better alternative to submission. In such instances, the shareholders are entitled to an honest account of any such disagreements between Directors.

2. CHAIRMAN AND CHIEF EXECUTIVE

Main principle

There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the company's business. No one individual or small group of individuals should have unfettered powers of decision.

Supporting principles

- (i) The Chairman has a pivotal role to play in helping the board achieve its full potential. He should allow every Director to play a full and constructive role in the affairs of the company. The separation of the roles of the Chairman and Chief Executive avoids concentration of authority and power in one individual and differentiates leadership of the board from the running of the business.
- (ii) The Chairman should also facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.

Code provisions

- 2.1 The position of the Chairman and that of the Chief Executive should be occupied by different individuals. The division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the board. Where the Chairman and the Chief Executive Officer are not different individuals, the Company should provide an explanation to the market and to its shareholders through a Company Announcement for the decision to combine the two roles.
- 2.2 The Chairman is responsible to:
 - 2.2.1 lead the board and set its agenda;
 - 2.2.2 ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
 - 2.2.3 ensure effective communication with shareholders;
 - 2.2.4 encourage active engagement by all members of the board for discussion of complex or contentious issues.

- 2.3 The Chairman should meet the independence criteria set out in supporting principle (v) below. A Chief Executive should not go on to be Chairman of the same company. If exceptionally a board decides that a Chief Executive should become Chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.

3. COMPOSITION OF THE BOARD

Main principle

The board should not be so large as to be unwieldy. The board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the board's composition can be managed without undue disruption. The board should be composed of executive and non-executive Directors, including independent non-executives.

Supporting principles

- (i) The board should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to properly complete their tasks.
- (ii) The board must understand and fully appreciate the business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives.
- (iii) It is desirable that Listed Companies should have a minimum number of non-executive Directors sitting on the board in order to ensure a balance such that no individual or small group of individuals can dominate the board's decision making. The exact composition and balance on a board will depend on the circumstances and business of each enterprise but it is recommended that at least one third of board members are non-executive and the majority of these should be independent.
- (iv) A non-executive director is a director who is not engaged in the daily management of the company. A non-executive director has an important role in overseeing executive or managing directors and dealing with situations involving conflicts of interests. Non executive directors and executive directors have as board members the same duties and responsibilities in terms of law. However, as the non-executive directors are not involved in the day-to-day running of the business, they can bring fresh perspectives and contribute more objectively in supporting as well as constructively challenging and monitoring the management team.
- (v) The company should appoint non-executive directors of sufficient calibre whose independence and standing would offer a balance to the strength of character of a chairman. Where the roles of the chairman and chief executive officer are combined, it is important that the non-executive directors are able to bring an independent judgment to bear on the various issues brought before the company.
- (vi) Non-executive Directors should be free from any business or other relationship which could interfere materially with the exercise of their independent and impartial judgment.
- (vii) A Director is considered to be independent when he is free from any business, family or other relationship - with the company, its controlling Shareholder or the management of either - that creates a conflict of interest such as to jeopardize exercise of his free judgment.
- (viii) The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees.

- (ix) No one other than the committee chairman and members is entitled to be present at a meeting of the audit or remuneration committee, but others may attend at the invitation of the committee.
- (x) Non-executive Directors are expected to take an active role in:
 - (a) constructively challenging and help developing proposals on strategy;
 - (b) monitoring the reporting of performance;
 - (c) scrutinizing the performance of management in meeting agreed goals and objectives; and
 - (d) satisfying themselves on the integrity and financial information and that financial controls and risk management systems are well established

Code provisions

- 3.1 Where the roles of the chairman and chief executive officer are combined, the board should appoint one of the independent non-executive directors to be the senior independent director to act a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to supporting principle (vi) under main principle 3.
- 3.2 The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:
 - 3.2.1 has been an executive officer or employee of the company or a subsidiary or parent of the company, as the case may be, within the last three years;
 - 3.2.2 has, or has had within the last three years, a significant business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
 - 3.2.3 has received or receives significant additional remuneration from the company or any member of the group of which the company forms part in addition to a director's fee, such as participation in the company's share option or a performance-related pay scheme, or membership of the company's pension scheme, except where the benefits are fixed;
 - 3.2.4 has close family ties with any of the company's executive directors or senior employees;
 - 3.2.5 has served on the board for more than twelve consecutive years; or
 - 3.2.6 is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the company or any member of the group of which the company forms part.

For the purposes of Code Provision 3.2.2, "business relationship" includes the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the company or its group.

- 3.3 Each Director should apply to his duties the necessary time and attention, and should undertake to limit the number of any Directorships held in other companies to such an extent that the proper performance of his duties is assured.
- 3.4 Every person who is appointed as a non-executive director shall declare in writing to the board that he undertakes:-
- 3.4.1 to maintain in all circumstances his independence of analysis, decision and action;
 - 3.4.2 not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
 - 3.4.3 to clearly express his opposition in the event that he finds that a decision of the board may harm the company.
- 3.5 When the board has made decisions about which an independent non-executive director has serious reservations, he should draw all the appropriate consequences from this. If he were to resign, he should explain his reasons in a letter to the board or the audit committee, and – where appropriate – to any relevant body external to the company.

4. THE RESPONSIBILITIES OF THE BOARD

Main principle

The board has the first level responsibility of executing the four basic roles of corporate governance namely; accountability, monitoring, strategy formulation and policy development.

Supporting principles

- (i) The Board should:
 - (a) regularly review and evaluate corporate strategy, major operational and financial plans, risk policy, performance objectives and monitor implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice.
 - (b) apply high ethical standards and take into account the interests of stakeholders. Its members should act:
 - (i) responsibly for exercising independent objective judgment with the highest degree of integrity; and
 - (ii) on a fully informed basis in good faith with due diligence, and in the best interests of the Company and the shareholders.
 - (c) recognise that the company's success depends upon its relationship with all groups of its stakeholders, including employees, suppliers, customers and the wider community in which the company operates. The board should maintain an effective dialogue with such groups in the best interests of the company;
 - (d) monitor the application by management of its policies;
 - (e) recognise and support enterprise and innovation within the management of the company. The board should examine how best to motivate Company management.
- (ii) A balance between enterprise and control in the company should be struck by the board.

Code provisions

- 4.1 The board should ensure that its level of power is known by all Directors and the senior management of the company. Any delegation of responsibilities and functions should also be clear and unequivocal. Independently of any powers and functions that the Directors may from time to time validly delegate to management, it remains a fundamental responsibility of Directors to monitor effectively the implementation of strategy and policy by management.
- 4.2 The board should:
- 4.2.1 define in clear and concise terms, the company's strategy, policies, management performance criteria and business policies which can be measured in a precise and tangible manner;
 - 4.2.2 establish a clear internal and external reporting system so that the board has continuous access to accurate, relevant and timely information such that the board can discharge its duties, exercise objective judgment on corporate affairs and take pertinent decisions to ensure that an informed assessment can be made of all issues facing the board;
 - 4.2.3 establish an Audit Committee in terms of Listing Rules 5.117 – 5.134;
 - 4.2.4 continuously assess and monitor the company's present and future operations, opportunities, threats and risks in the external environment and current and future strengths and weaknesses;
 - 4.2.5 evaluate the management's implementation of corporate strategy and financial objectives. The strategy, processes and policies adopted for implementation should be regularly reviewed by the board using key performance indicators so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the enterprise;
 - 4.2.6 ensure that the Company has appropriate policies and procedures in place to assure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards;
 - 4.2.7 develop a succession policy for the future composition of the board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility.
- 4.3 The Board should organise regular information sessions to ensure that Directors are made aware of, inter alia;
- 4.3.1 their statutory and fiduciary duties;
 - 4.3.2 the company's operations and prospects;
 - 4.3.3 the skills and competence of senior management;
 - 4.3.4 the general business environment; and
 - 4.3.5 the board's expectations.
- 4.4 The board should assess regularly any circumstances, whether actual or potential, that could expose the Company or its Directors to risk, and take appropriate action.
- 4.5 The business risk and key performance indicators should be benchmarked against industry norms so that the company's performance can be effectively evaluated.

- 4.6 The board shall require management to constantly monitor performance and report to its satisfaction, at least on a quarterly basis, fully and accurately on the key performance indicators.
- 4.7 The board shall ensure that the financial statements of the Company and the annual audit thereof are completed within the stipulated time periods.

5. BOARD MEETINGS

Main principle

The board should meet regularly to discharge its duties effectively. Board members should be given ample opportunity during meetings to discuss issues set on the board agenda and convey their opinions.

Supporting principles

- (i) The Chairman is primarily responsible for the efficient working of the board. He must ensure that all relevant issues are on the agenda supported by all available information.
- (ii) The board agenda should strike a balance between long-term strategic and shorter-term performance issues.
- (iii) In conducting board meetings, the Chairman should facilitate and encourage the presentation of views pertinent to the subject matter and should give all Directors every opportunity to contribute to relevant issues on the agenda.

Code provisions

- 5.1 The board should set procedures to determine the frequency, purpose, conduct and duration of meetings and meet regularly in line with the nature and demands of the company's business.
- 5.2 The attendance of board members should be reported to shareholders at annual general meetings.
- 5.3 Notice of the dates of the forthcoming meetings together with the supporting material should be circulated well in advance to the Directors so that they have ample opportunity to appropriately consider the information prior to the next scheduled board meeting. Advance notice should be given of ad hoc meetings of the board to allow all Directors sufficient time to re-arrange their commitments in order to be able to participate.
- 5.4 After each board meeting and before the next meeting, minutes that faithfully record attendance and decisions should be prepared and should be circulated to all Directors as soon as practicable after the meeting.

6. INFORMATION AND PROFESSIONAL DEVELOPMENT

Main principle

The board should:

- appoint the Chief Executive Officer;
- actively participate in the appointment of senior management;
- ensure that there is adequate training in the Company for Directors, management and employees;
- establish a succession plan for senior management; and
- ensure that all Directors are supplied with precise, timely and clear information so that they can effectively contribute to board decisions.

Supporting principles

- (i) Boards should actively consider the establishment and implementation of appropriate schemes to recruit, retain and motivate high quality executive officers and the management team.
- (ii) The Chairman should ensure that Board members continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the board and on board committees. The Company should provide the necessary resources for developing and updating its directors' knowledge and capabilities.
- (iii) Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.
- (iv) The company secretary should be responsible for advising the board through the chairman on all governance matters.

Code provisions

- 6.1 All new Directors should be offered a tailored induction programme on joining the board which covers to the extent necessary the company's organization and activities and his responsibilities as a Director.
- 6.2 The board should ensure that the Directors, especially non-executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.
- 6.3 All Directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with.
- 6.4 The Chief Executive Officer should ensure that systems are in place:
 - 6.4.1 to provide for the development and training of the management and employees generally so that the Company remains competitive;
 - 6.4.2 to provide additional training for individual Directors where necessary;
 - 6.4.3 to monitor management and staff morale; and
 - 6.4.4 to establish a succession plan for senior management.

- 6.5 The Chief Executive Officer should be responsible for the recruitment and appointment of senior management.

7. EVALUATION OF THE BOARD'S PERFORMANCE

Main principle

The board should undertake an annual evaluation of its own performance and that of its committees.

Code provisions

- 7.1 The board should appoint a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role.
- 7.2 The committee is to report directly to the Chairman who should act on the results of the performance evaluation process in order to ascertain the strengths and to address the weaknesses of the board and to report to the board and, where appropriate, to the Annual General Meeting.
- 7.3 The non-executive Directors should be responsible for the evaluation of the Chairman, taking into account the views of the executive directors.
- 7.4 As part of the disclosure requirements in the annual report, the board should provide adequate information about its internal organization and including an indication of the extent to which the self-evaluation of the board has led to any material changes in the company's governance structures and organization.

8. COMMITTEES

A Remuneration Committee

For the purposes of this section the term "senior executive" shall mean any person reporting directly to the Board of Directors.

Main principle

The board should establish a remuneration policy for Directors and senior executives. It should also set up formal and transparent procedures for developing such a policy and for establishing the remuneration packages of individual Directors.

Supporting principles

- (i) The role of the Remuneration Committee referred to below is to devise the appropriate packages needed to attract, retain and motivate Directors, whether executive or not, as well as senior executives with the right qualities and skills for the proper management of the company. It should, however, avoid paying more than is necessary to secure the people with the appropriate skills and qualities. In carrying out this function the Remuneration Committee should judge where to position its Company relative to other companies in the marketplace.

- (ii) The Remuneration Committee's main duties are:
- (a) to make proposals to the board on the remuneration policy for Directors and senior executives;
 - (b) to make proposals to the board on the individual remuneration to be attributed to executive Directors, ensuring that they are consistent with the remuneration policy adopted by the Company and the evaluation of the performance of the Directors concerned;
 - (c) to monitor the level and structure of remuneration of the non-executive Directors on the basis of adequate information provided by the executive or managing Directors;
- (iii) The Committee:
- (a) may consult the Chairman and/or the Chief Executive Officer about proposals relating to the remuneration of other executive Directors;
 - (b) may avail itself of consultants who may be useful in providing the necessary information on market standards for remuneration systems; and
 - (c) should be responsible for establishing the selection, appointing and setting the terms of reference for any consultants who advise the Committee.
- (iv) No member of the Remuneration Committee shall be present while his remuneration is being discussed at a meeting of such Committee.

Code provisions

- 8.A.1 The board of Directors should establish a Remuneration Committee composed of non-executive Directors with no personal financial interest other than as shareholders in the company, one of whom shall be independent and shall chair the Committee.
- 8.A.2 Where, however, the remuneration of Directors is not performance-related, the functions of the Remuneration Committee may be carried out by the board and in such case any reference to such Committee in this section shall be construed as a reference to the board of directors. For the purposes of this supporting principle "performance-related" remuneration includes share options and pension benefits, profit sharing arrangements and any other emolument payable to the Directors that is related to the performance of the Company in question.
- 8.A.3 The Remuneration Committee shall prepare a report which forms part of the annual report providing information regarding its membership, the number of meetings held, the attendance over the year and its main activities.
- 8.A.4 The annual report should contain a "Remuneration Statement" which discloses at least the following information:
- 8.A.4.1 the current remuneration policy of the Company, including profit-sharing, share options and pension benefits, as well as specific arrangements relating to the disclosure of information on performance, highlighting any significant changes in the Company's remuneration policy as compared to the previous financial year as well as any changes that the Company intends to effect in its remuneration policy for the following financial year;
 - 8.A.4.2 an explanation of the relative importance of the variable and non-variable components of directors' and/or senior executives' remuneration;

- 8.A.4.3 sufficient information on the performance criteria on which any entitlement to share options, shares or variable components of remuneration is based;
- 8.A.4.4 sufficient information on the linkage between remuneration and performance;
- 8.A.4.5 the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
- 8.A.4.6 a description of the main characteristics of supplementary pension or early retirement schemes for Directors and/or senior executives;
- 8.A.4.7 a summary and an explanation of the Company's policy with regard to the terms and conditions of the contracts of executive Directors and senior executives including information on the duration of such contracts, the applicable notice periods and details of provisions for termination payments and other payments linked to early termination under the said contracts;
- 8.A.4.8 the total emoluments, whether in cash or otherwise, received by Directors from the Company or any other undertaking of the Group of which the Company forms part;
- 8.A.4.9 the total emoluments, whether in cash or otherwise, received by senior executives from the Company or any other undertaking of the Group of which the Company forms part;
- 8.A.4.10 the compensation paid or receivable by each former executive Director in connection with the termination of his activities during that financial year;
- 8.A.4.11 the compensation paid or receivable by each former senior executive in connection with the termination of his activities during that financial year;
- 8.A.4.12 with respect to shares and/or rights to acquire share options and/or all other share-incentive schemes:-
 - 8.A.4.12.1 the number of share options offered or shares granted by the Company or any other undertaking of the group of which the Company forms part during the relevant financial year and their conditions of application;
 - 8.A.4.12.2 the number of share options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;
 - 8.A.4.12.3 the number of share options unexercised at the end of the financial year, their exercise price, the exercise date and the main conditions for the exercise of the rights; and
 - 8.A.4.12.4 any change in the terms and conditions of existing share options occurring during the financial year; and
- 8.A.4.13 with respect to supplementary pension schemes:-
 - 8.A.4.13.1 when the pension scheme is a defined-benefit scheme, changes in the accrued benefits under that scheme during the relevant financial year; and
 - 8.A.4.13.2 when the scheme is a defined-contribution scheme, details of the total contributions paid or payable by the Company or any other undertaking of the Group of which the Company forms part during the relevant financial year.

- 8.A.5 The company shall report separately on Code Provisions 8.A.4.8 and 8.A.4.9, and, in doing so, it shall divide the part dealing with the emoluments of directors and the other dealing with the emoluments of senior executives into four sections entitled “fixed remuneration”, “variable remuneration”, “share options” and “others”. The company may also provide an explanation on which items fall under one of the four categories of emoluments referred to herein.
- 8.A.6 Without prejudice to the requirements of Code Provision 8.A.2 the disclosure of any information in the Remuneration Statement shall not oblige the Company to disclose commercially sensitive information.

B Nomination Committee

Main principle

There should be a formal and transparent procedure for the appointment of new directors to the board. The procedure shall ensure, inter alia, adequate information on the personal and professional qualifications of the candidates.

Supporting principles

- (i) Appointments to the board should be made on merit and against objective criteria. Care should be taken to ensure that appointees have enough time available to devote to the job. This is particularly important in the case of chairmanships.
- (ii) The functions of the Nomination Committee referred to below shall be:
 - (a) to propose to the board candidates for the position of director, including those persons that are considered to be independent in terms of supporting principle (vii) under Principle 3, taking into account any recommendations in this regard received from shareholders;
 - (b) to periodically assess the structure, size, composition and performance of the board and make recommendations to the board with regard to any changes;
 - (c) to properly consider issues related to succession planning; and
- (d) to review the policy of the Board for selection and appointment of senior management.
- (iii) The board of the company shall determine the terms of reference of the Nomination Committee.
- (iv) In performing its duties, the Nomination Committee should be able to use any forms of resources it deems appropriate, including external advice or advertising, and should receive appropriate funding from the company to this effect.
- (v) The Nomination Committee may invite Directors other than the committee members, Officers of the company or experts to attend meetings where appropriate to assist in the effective discharge of its duties.
- (vii) Whilst the Nomination Committee should try to achieve consensus on the recommendations it makes to the board, where such consensus cannot be achieved, decisions shall be made by a majority vote. In the event that a member or members of the Committee dissent(s) with the majority view on any particular matter, that member or member(s) (as the case may be) shall be entitled to make a dissenting report to the board

setting out the reasons as to why they dissent from the majority opinion expressed in the Committee's recommendations.

Code provisions

- 8.B.1 The board should establish a Nomination Committee to lead the process for board appointments and to make recommendations to it. Such committee should be composed entirely of Directors of the company. The majority of the members of the Nomination Committee shall be non-executive Directors, at least one of whom shall be independent.
- 8.B.2 No member of the Nomination Committee shall be present while his nomination as a director of the Company is discussed at a meeting of such Committee.
- 8.B.3 For any new appointment to the board, the skills, knowledge and experience already present and those needed on the board should be evaluated and, in the light of that evaluation, a description of the role and skills, experience and knowledge needed should be prepared by the Nomination Committee.
- 8.B.4 With respect to the appointment of the chairman, the Nomination Committee should prepare a job specification, including an assessment of the time commitment expected. A chairman's other significant commitments should be disclosed to the board before appointment and any changes to such commitments should be reported to the board as they arise.
- 8.B.4 The letter of appointment issued to non-executive Directors should set out the expected time commitment and non-executive Directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and subsequent changes should be notified to the board.
- 8.B.5 Any proposal for the appointment of a director by the general meeting of shareholders should be accompanied by a recommendation from the board, based on the advice of the Nomination Committee.
- 8.B.6 The lists of candidates to the office of director, accompanied by exhaustive information on the expertise and professional qualifications of the candidates with an indication, where appropriate, of their eligibility to qualify as independent and competent in accounting and/or auditing, shall be deposited at the Company's registered office at least fourteen (14) days prior to the date fixed for the Annual General Meeting.
- 8.B.7 A separate section of the annual report should describe the work of the Nomination Committee, including the process it has used in relation to board appointments.
- 8.B.8 The Nomination Committee shall periodically assess the skills, knowledge and experience of individual directors, and report on this to the board.

9. RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET

Main principle

The board shall serve the legitimate interests of the company, account to shareholders fully and ensure that the Company communicates with the market effectively. The board should as far as possible be prepared to enter into a satisfactory dialogue with institutional shareholders and market intermediaries

based on the mutual understanding of objectives. The board shall use the general meeting to communicate with shareholders.

Supporting principles

- (i) The Company should provide the market with regular, timely, accurate, comprehensive and comparable information in sufficient detail to enable investors to make informed investment decisions.
- (ii) Communication with the market is crucial for Listed Companies and the integrity of the market itself. The board should ensure that long-term strategic decisions are communicated where the Directors consider these to be in the best interests of the company.
- (iii) The board should endeavour to protect and enhance the interests of both the Company and its shareholders, present and future. The Chairman should ensure that the views of shareholders are communicated to the board as a whole.
- (iv) The board should:
 - (a) always ensure that all holders of each Class of capital are treated fairly and equally; and
 - (b) act in the context that its shareholders are constantly changing and, consequently, decisions should take into account the interests of future shareholders as well.
- (v) Shareholders must appreciate the significance of participation in the general meetings of the Company and particularly in the election of Directors. They should continue to hold Directors to account for their actions, their stewardship of the company's assets and the performance of the company.
- (vi) The agenda for general meetings of shareholders and the conduct of such meetings must not be arranged in a manner to frustrate valid discussion and decision-taking.
- (vii) Whilst recognising that most shareholder contact is with the Chief Executive Officer and finance Director, the Chairman should maintain sufficient contact with major shareholders to understand their issues and concerns.
- (viii) The board should consider whether, from time to time, disclosure should be made by the Company to other stakeholders other than its shareholders.

Code provisions

- 9.1 The Chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the Annual General Meeting and for all directors to attend.
- 9.2 Minority shareholders should be able to call special meetings on matters of importance to the company. However a minimum threshold of share ownership, as established in the Memorandum or Articles of Association of the company, should be set up before a Group or an individual may call a special meeting.
- 9.3 Procedures should be established to resolve conflicts between minority shareholders and controlling shareholders. To resolve conflicts, there should be some mechanism, disclosed in the Company's Memorandum or Articles, to trigger arbitration.

- 9.4 Minority shareholders should be allowed to formally present an issue to the board of Directors.

10. INSTITUTIONAL SHAREHOLDERS

The term 'institutional shareholders' should be interpreted widely and includes any person who by profession, whether directly or indirectly, takes a position in investments as principal, or Manager or holds funds for or on behalf of others and includes Custodians, banks, financial institutions, fund managers, stockbrokers, investment managers and others.

(A) Shareholder voting

Main principle

Institutional shareholders have a responsibility to make considered use of their votes.

Supporting principles

- (i) Institutional shareholders have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available. Their role in the market is to be perceived by individual investors as being a very significant one. Accordingly, institutional shareholders are expected to conduct themselves in an appropriate manner in the market and act as a more effective check on Listed Companies.
- (ii) Institutional shareholders should take an active role in the pursuit of the attainment of their voting objectives. They should work towards the adherence to principles of good governance without substituting themselves for the company's board and management.
- (iii) Institutional shareholders should make available to their clients, upon request, information on the proportion of resolutions on which votes were cast and non-discretionary proxies lodged.
- (iv) Institutional shareholders should use their best endeavours to attend Annual General Meetings. Companies and registrars should facilitate this.

(B) Evaluation of governance disclosures

Main principle

When evaluating the Company's governance arrangements, particularly those relating to board structure and composition, institutional shareholders should give due weight to all relevant factors drawn to their attention.

Supporting Principle

Institutional shareholders should consider carefully the explanations given for departure from this Code and make reasoned judgements in each case. They should give an explanation to the Company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the Company's position. They should avoid a box-ticking approach to assessing a company's corporate governance. They should bear in mind in particular the size and complexity of the Company and the nature of the risks and challenges it faces.

11. CONFLICTS OF INTEREST

Main principle

Directors' primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the board.

Supporting principles

- (i) A Director should avoid conflicts of interest at all times and shall not accept a nomination if he is aware that he has an actual conflict of interest.
- (ii) The personal interests of a Director must never take precedence over those of the Company and its shareholders

Code provisions

- 11.1 Should an actual or potential conflict arise during the tenure of a Directorship, a Director must disclose and record the conflict in full and in time to the board. A Director shall not participate in a discussion concerning matters in which he has a conflict of interest unless the board finds no objection to the presence of such Director. In any event, the Director shall refrain from voting on the matter. In certain circumstances it may be appropriate for the board to disclose in a public document that an actual conflict or potential conflict of interest has arisen.
- 11.2 A Director having a continuing material interest that conflicts with the interests of the Company, should take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning.
- 11.3 Each Director should declare to the Company his or her interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest and should only deal in such shares as allowed by law.

12. CORPORATE SOCIAL RESPONSIBILITY

Main principle

Directors should seek to adhere to accepted principles of corporate social responsibility in their day-to-day management practices of their company.

Supporting principles

- (i) Corporate Social Responsibility is the continuing commitment by business entities to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large. Being socially responsible means not only fulfilling legal expectations but also going beyond compliance and investing "more" into human capital, the environment and the relations with stakeholders.
- (ii) It is encouraged that Listed Companies take up initiatives aimed at augmenting investment in human capital, health and safety issues, and managing change, while

adopting environmentally responsible practices related mainly to the management of natural resources used in the production process.

(iii) Listed Companies are expected to act as corporate citizens in the local community and work closely with suppliers, customers, employees and public authorities.

(iv) Listed Companies are encouraged to go through material relating to the theme of corporate social responsibility and keep abreast with initiatives being taken in the local and international scenario.

APPENDIX 5.2
ARTICLES OF ASSOCIATION

| Section | Description |
|----------------|------------------------|
| 1. | Directors |
| 2. | Accounts |
| 3. | Capital |
| 4. | Dividends |
| 5. | Transfers |
| 6. | Borrowing Powers |
| 7. | Notice of Meetings |
| 8. | Winding - Up |
| 9. | Alteration of Articles |
| 10. | Proxy |

1 *Directors*

1.1 All Directors of an Applicant shall be individuals.

1.2 Subject to such exceptions specified in the Articles of Association as the Listing Committee may approve, a Director shall not vote on any contract or arrangement or any other proposal in which he has a material interest.

1.3 An election of Directors shall take place every year. All Directors, except a Managing Director, shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

1.4 The office of a Director shall become vacant should he become of unsound mind, is convicted of any crime punishable by imprisonment, or declared bankrupt during his term of office.

1.5 The maximum annual aggregate Emoluments as well as any increase of such Emoluments of the Directors shall be established pursuant to a resolution passed at a general meeting of an Issuer where notice of the proposed aggregate Emoluments and any increase has been given in the notice convening the meeting.

1.6 Any person appointed by the Directors to fill a casual vacancy or as an addition to the board will hold office only until the next following annual general meeting of the Issuer, and will be eligible for re-election.

1.7 An Issuer must give at least fourteen (14) days notice to its shareholders to submit names for the election of Directors. Notice to the Issuer proposing a person for election as a Director, as well as the latter's acceptance to be nominated as Director shall be given to the Issuer not less than fourteen (14) days prior to the date of the meeting appointed for such election.

2. *Accounts*

A printed copy of the profit and loss account and balance sheet including any Directors' report attached thereto, will, at least fourteen (14) days prior to the general meeting of the Issuer, be delivered or sent by post to every member and/or stockholder or holder of Securities in the Issuer.

3. *Capital*

3.1 The Issuer shall not issue Shares such that such issue would dilute a substantial interest without prior approval of the shareholders in general meeting.

3.2 Unless the shareholders approve in a general meeting, or as otherwise permitted under the Listing Rules, no Director shall participate in an issue of Shares to employees.

3.3 Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Issuer.

3.4 Preference shareholders shall also have the right to vote at any general meeting of the Issuer convened for the purpose:

3.4.1 of reducing the capital of the Issuer; or

3.4.2 winding up of the Issuer; or

3.4.3 where the proposition to be submitted directly affects their rights and privileges; or

3.4.4 when the dividend on their Shares is in arrears by more than six (6) months.

4. *Dividends*

Any amount paid up in advance of calls on any Share may carry interest but will not entitle the holder of the Share to participate in respect of such amount in any dividend.

5. *Transfers*

There shall be no restriction on the right to transfer Securities which are authorised as Admissible to Listing.

6. *Borrowing Powers*

The scope of the borrowing powers of the Board of Directors shall be expressed.

7. *Notice of Meetings*

7.1 A general meeting of an Issuer shall be deemed not to have been duly convened unless at least fourteen (14) days' notice has been given to all shareholders in writing, wherein is stated the place, date and hour of the meeting and in case of special business, the general nature of that business.

7.2 Any notice of the meeting called to consider extraordinary business shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such extraordinary business.

8 *Winding-Up*

8.1 The basis on which shareholders would participate in a distribution of assets on a winding-up shall be expressed.

8.2 On the voluntary liquidation of an Issuer, no commission or fees shall be paid to a liquidator unless it shall have been approved by shareholders. The amount of such payment shall be notified to all shareholders at least seven (7) days prior to the meeting at which it is to be considered

9. *Alteration of Articles*

Issuers whose Securities are authorised as Admissible to Listing shall not delete, amend or add to any of their existing Articles of Association, which have previously been authorised by the Listing Authority, unless prior written authorisation has been sought and obtained from the Listing Authority for such deletion, amendment or addition.

10. *Proxy*

An Issuer is required to design proxy forms in a manner which will allow a Shareholder of an Issuer to indicate how he/she would like his proxy to vote in relation to each resolution.