



## **Circular on the Annual General Assembly Meetings of Public Joint-Stock Companies.**

Giving the close date of holding the general assemblies for public joint-stock companies, this circular has been issued to remind and confirm the provisions stipulated in both Federal Law No. (2) of 2015 regarding commercial companies and its amendments, and the Chairman of SCA's Board of Directors' decision No. (7/R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Joint Stock Companies, particularly the following:

### **First: General Provisions**

1. Not to publish the invitation to the general assembly meeting in the newspapers except after the SCA approves the publication and providing the same with a copy of the (invitation announcement draft / draft announcement of the Board Membership Candidacy opening, if there is an election of the Board members / governance report) according to the forms available on the SCA's website <http://www.sca.gov.ae/Arabic/Services/Pages/ServiceCard36.aspx>, emphasizing on the necessity that the invitation announcement draft for the general assembly presented to the SCA shall include the meeting agenda, and in particular specifying the proposed profits to be distributed to shareholders



and the proportion and amount thereof and distribution dates (In the absence of a distribution proposal, the same shall be mentioned in the invitation).

In the event that the quorum is not complete and an invitation for a second meeting is addressed, the dates for the proposed profit distribution to the shareholders of the company must be reset.

2. Send notice of the company general assembly invitation to the market wherein it is listed, before announcing shareholders through newspapers.
3. Invite all shareholders by an announcement published in two local daily newspapers, at least one of which is issued in the Arabic language and with registered letters, at least fifteen days before the date specified for the meeting, unless the company articles of association stipulate a longer period. The invitation announcement must include the agenda, and copies of the invitation papers shall be sent to both the SCA and the competent authority.
4. The General Assembly shall appoint a rapporteur for the meeting and votes collector.
5. The general assembly shall be chaired by the company Board chairman, and, in his absence, by his deputy, and in their absence, by any shareholder chosen by the shareholders by voting via any means determined by the general assembly. If the General Assembly is considering a matter related to the

chairman of the meeting, the General Assembly must choose from the shareholders, the one who will chair the meeting during the matter discussion.

6. Every shareholder has the right to attend the General Assembly, and shall have a number of votes equivalent to the number of its shares. Whoever has the right to attend the General Assembly may choose a person other than a board member to acting on its behalf according to a special power of attorney in writing, according to the following controls:

- The attorney may not, if it represents more than one shareholders, possess, in its capacity as the attorney of these shareholders, more than (5%) of the company capital.
- However, if it is the attorney of one shareholder, it may exceed a percentage of (5%) of the company's capital.
- The incompetent and incapable ones shall be legally represented by their representatives.

7. A legal person may delegate to one of its representatives or administrators under a resolution of the Board or its representative, to represent it in the general assemblies, and the delegated person shall have the powers determined according to the delegation resolution.

8. If a shareholder or its representative withdraws from the General Assembly meeting after the quorum became complete, that withdrawal, regardless of the number of shares owned or represented thereby, shall not affect the



validity of the General Assembly convening, and the resolutions shall be issued under the majority prescribed by law.

9. The general assembly may not deliberate on the matters other than those listed in the agenda, except for the serious facts discovered during the meeting, as well as the issues that are required to be included before the discussion of the general assembly agenda by the SCA or a number of shareholders whose ownership represents at least (10%) of the company capital, and the Board must answer the request, otherwise the General Assembly has the right to decide to discuss these issues.
10. Each shareholder has the right to discuss the topics listed in the agenda of the general assembly and direct the questions to the Board members and the auditor. The Board members and the auditor shall reply the questions to the extent that does not damage the company interest. The shareholder may refer to the General Assembly if he considers that the reply to his question is not sufficient and the General Assembly resolution shall be enforceable.
11. Prepare the minutes of the general assembly meeting that includes the names of the attending shareholders or their representatives, the number of shares in their possession in person or by proxy, the number of votes assigned to them, the resolutions issued and the number of approved or rejected



- votes, a full summary of the discussions that took place in the meeting, and sign the minute and the attendance list by the chairman of the assembly, its rapporteur, the votes collector and the auditor. The SCA and the competent authority shall be notified with a copy of the assembly meeting minutes within fifteen days from the date of its issuance. The company must provide the relevant market with the results of the meeting of the general assembly once the meeting ends and before the trading session on the day following the date of the assembly.
12. The SCA and the competent authority may send one controller or more on behalf of each of them to attend the general assembly meetings of companies, without any of them having the right to vote, and their attendance shall be registered in the minutes of the general assembly meeting.
  13. The central bank or the insurance authority may send a controller or more on behalf of each of them to attend the general assembly meetings of the companies subject to their control, without any of them having the right to vote and prove its presence in the minutes of the general assembly meeting.
  14. If a company General Assembly unable to adopt a resolution regarding the appointment of its auditor at its annual meeting, the SCA has the right to appoint the company's auditor for a fiscal year and determine its fees.
  15. If the company wishes to amend the articles of association and memorandum of association, a special resolution must be issued



by the company General Assembly to amend its articles of association or memorandum of association, after obtaining the approval of the SCA and the competent authority. (A form of the articles of association and memorandum of association of the public shareholding company are available on the SCA's website for guidance, and it is prepared according to the provisions of the Companies Law.)

16. The company shall publish the proposed amendments to the memorandum of association on the company website and the relevant market website before the date of the general assembly meeting, which will discuss these amendments, as well as any reports, studies or proposals that need to be shared with the shareholders before the assembly.
17. In the event that the General Assembly agenda includes an item that needs a special resolution, especially those related to the company capital structure, mergers and acquisitions, the company continuity or not, and other important matters, the report and detailed documents related to this item must be provided along with the invitation and the agenda.

**Second: Annual General Assemblies: -**

1. The Annual General Assembly meeting shall be held during the four months following the end of the fiscal year in accordance with the provisions of Article (171) of the Commercial Companies Law, provided that the second



meeting shall be held, in the event that the quorum for the first meeting is not complete, within the aforementioned period. The company may hold more than one general assembly during the year whenever it deems the same necessary, without waiting for the general assembly in the coming year, in order to take any resolution. In this regard, if a Board meeting is hold to consider the general assembly invitation, that meeting shall be held at least thirty days before the date of any General Assembly meeting and immediate disclosure shall be made to shareholders in accordance with a detailed notice to the market and on the website of the company immediately after the Board meeting ends on the resolutions of the Board and the proposed date of the general assembly.

2. The SCA must be provided with the following documents with the request for approval of the Annual General Assembly: -
  - Corporate Governance Report of 2019 (for companies required to disclose the Corporate Governance Report), the Corporate Governance Report Form of 2019 is attached, along with the observing following:
    - Providing the SCA with all the required evidences mentioned in the attached Corporate Governance Report Form of 2019. We would also like to mention about the reports of the Internal Control Department. The competent department can provide the SCA with periodic (quarterly)

reports only, with providing the SCA with a summary of the content of other reports issued by the department.

- Draft announcement of opening the Board Membership Candidacy (if there is an election for the Board members) except for banks and companies subject to Emirates Central Bank supervision.
  - Draft articles of the memorandum of association to be amended (the text before and after the amendment) in the event that the invitation to the general assembly includes issuing a resolution to amend the articles of the memorandum of association.
  - A list of the names of the members of the current Board provided that the quadrilateral name is mentioned at least in the Arabic and English languages, along with the nationality. The company must coordinate with the concerned market to update the data of the Board Members on the market website accordingly.
3. The annual and quarterly audited financial statements shall be disclosed before obtaining the SCA approval on publishing the Annual General Assembly invitation.
- The annual and quarterly financial reports shall include a report on Management Discussion and Analysis according to the form attached to this circular.
  - The annual and quarterly financial reports shall include identification of the person responsible for financial



statements. A note shall be added to include the signatures of the persons authorized to approve the financial statements, and the following phrase shall be added in Arabic and language.

“To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report”

4. The General Assembly may not authorize the Board in appointing the auditor or define its remuneration.
5. For the appointment of an auditor for public joint-stock companies, the auditor must be accredited with the SCA according to controls mentioned in the SCA Board of Directors’ decision No. 25 of 2015 regarding registration of auditors of public joint stock companies and investment funds. The auditor shall also submit a valid copy of the registration certificate or certificate of renewing registration in the register of auditors accredited by the SCA.
6. Upon appointing the auditor, the provision stipulated in article No. 243 of the federal law no. 2 of 2015 on Commercial Companies, where the General assembly shall appoint one or more auditor for renewable year, provided not exceeding three consecutive years.

7. The company articles of association shall indicate the method of calculating the Board Members' remunerations. These remunerations shall not exceed 10% of the net profit of the fiscal year after deducting both consumption and reserves.
8. The General Assembly of the company shall determine the percentage to be distributed to the shareholders from the net profits after deducting the statutory reserve and the optional reserve. The company articles of association may specify the distribution of annual, semi-annual or quarterly dividends, and the company must deposit the cash dividends to the registered shareholders on the tenth day starting from today following the date of the General Assembly meeting in which it is decided to distribute those profits, according to the mechanism approved by the SCA, so that the process of paying the cash dividends to shareholders does not exceed thirty days from the date of the decision to approve these distributions.
9. The annual general assembly agenda shall contain the issues outlined below in accordance with the provisions of Article (177) of the Commercial Companies Law:-
  - The Board report on the company's activity and its financial position during the year, the report of the auditors, and the report of the internal Shari'a Supervisory Committee (if the company practices its activities in accordance with the provisions of Islamic Sharia) and their approval.

- Company budget and profit and loss account.
- Election of Board members when necessary.
- Appointment of members of the Internal Sharia Supervision Committee (if the company is operating in accordance with Islamic Sharia).
- Appointment of auditors and determination their fees.
- Board proposals regarding the distribution of profits, whether they are cash dividends or bonus shares (the type and amount of the distribution and its ratio to capital must be specified).
- Board Proposals regarding Board members remunerations and determination of the same.
- Discharge or dismissal of Board members or initiating responsibility lawsuits against them, as the case may be.
- Discharge or dismissal of auditors or initiating responsibility lawsuits against them, as the case may be.

10-The report of the Board and the auditor and the annual financial statements submitted to the general assembly shall include the details of any transactions made or will be made by the relevant parties who are as following:

- Chairman and members of the Board, the members of the supreme executive management, and the employees of the company and the companies where any of those persons holds no less than 30% of shares

of the capital thereof, and the company's affiliated, sister, or subsidiary companies.

11-In the event of entering into transactions with relevant parties of a value exceeding (5%) of the issued capital, the same shall be evaluated by an evaluator approved by the SCA, before being submitted to the general assembly. In such case, the company shall submit to the SCA an application for approving the evaluator who will carry out the evaluation process, along with his commercial license and an acknowledgment by the evaluator of his previous tasks in this field and that there is no interests conflict in carrying out his task of evaluation of that transactions. The SCA shall, after reviewing the evaluator's previous tasks and his resume, be entitled to approve his appointment as an evaluator for that transaction or it shall request the company to nominate another evaluator. Moreover, the relevant party may not participate in the voting on the general assembly resolution issued concerning that transaction.

12-The general assembly meeting shall not be valid unless attended by shareholders who possess or represent by proxy (or who have voted by remote electronic voting) not less than (50%) of the company's capital unless the company articles of association specifies a higher percentage. If that quorum is not met in the first meeting, the general assembly shall convene a

second meeting after a period of not less than (5) five days and no later than (15) fifteen days from the first meeting date and the adjourned meeting shall be deemed valid regardless the number of the attendants.

13-Subject to the provisions stated in article (146) of the Federal Law No. (2) of 2015 on Commercial Companies, the company articles of association shall specify the method of voting on the general assembly resolutions. However, the voting shall be confidential if it is related to the election or dismissal of the Board members or holding them accountable, as the general assembly resolutions shall be issued by the majority of the shares represented in the meeting or any larger majority as specified by the articles of association in the resolutions made in the normal matters. As for the matters having a special nature (such as increasing or decreasing the company capital and other matters that shall be executed under a special resolution issued by the general assembly after the SCA's approval), a resolution named "**the special resolution**" shall be issued therein as this is the resolution issued by the majority of the votes of the shareholders who possess a no less than the three quarters of the shares represented in the general assembly meeting of the joint stock company.

14-The general assembly resolutions issued according to the provisions of this law and the company articles of association,

shall be binding on all shareholders whether they are present or absent in the meeting where those resolutions are issued and whether they accept or object to those resolutions.

15-The Board members may not participate in the voting on the general assembly resolutions related to discharging them from the responsibility for their management or that are related to a benefit for them, interests conflict or a dispute existing between them and the company.

16-The general assembly shall be entitled to dismiss the chairman of the Board, any member in the Board, or all Board members, and in such case, the general assembly shall authorize whoever it deems appropriate to be the chairman of the general assembly meeting, take the procedures of opening the candidacy, and invite the general assembly to elect new members of the Board instead of the dismissed members. The dismissed members may not be re-nominated for Board membership before passage of three years from issuance of the dismissal resolution, in accordance with the provisions of articles (143) and (144) of the Companies Law and both of the SCA and the competent authority shall be notified thereof.



### **Third: Procedures for Board Members lection**

- Except for the provisions and procedures for cumulative secret voting, the following procedures shall not apply to banks and companies licensed by the Central Bank.

1. Announcement of the opening of Board membership candidacy, along with the invitation of the General Assembly, according to the following steps:

- Submitting an application for obtaining the SCA approval on the draft announcement of candidacy opening along with the General Assembly invitation before publication according to the Form (E-3-1) available on the SCA website

(<http://www.sca.gov.ae/Arabic/Services/Pages/ServiceCard96.aspx>), at least 18 days before the date of convening the ordinary General Assembly.

- Publishing the candidacy-opening announcement along with the General Assembly invitation in two local daily newspapers, one of which, at least, is published in Arabic, and in registered letters, at least fifteen days before the date of convening the General Assembly.
- The Board membership candidacy shall remain open for ten days from the announcement date.
- Publishing the candidates' names and their information related to candidacy on the company's bulletin board, the

company website and the market website in the International Information Network (Internet), at least two days before the date set for the company General Assembly meeting.

- After closing the candidacy, the candidate shall not waive its candidacy for another person.
- The SCA and Market shall be provided with names of candidates in the day following the candidacy closing.
- In the event that the competent local authority, to which the company is subject to in one of the State emirates, requires a pre-approval of the names of the candidates before the election process, then these companies must observe the time periods referred to above so that the necessary approvals are obtained from those authorities in a timely manner in order to publish the names of the approved candidates at least **two days** before the date set for the company General Assembly meeting, with a reference to that matter in the announcement of the candidacy opening.
- Each person desiring to be a candidate shall submit an application to the company, attaching thereto the following documents:
  1. Curriculum Vitae, indicating the practical experiences, educational qualifications, the capacity

- under which it desires to be a candidate (Executive, Non-Executive, Independent);
2. An undertaking to comply with the provisions of the Companies Law and the decisions issued in implementation thereof and the Company Articles of Association, and that it will exert the due care of a prudent professional person during the performance of its duties;
  3. A statement of the names of companies and corporations which it works for or serves as a member of the boards of directors therein, as well as any other works it performs directly or indirectly that constitutes a competition to the Company;
  4. In case of the legal person representatives, an official letter from such legal person shall be submitted, containing names of its candidates for Board membership.
- The SCA shall be provided with the Candidacy and Remuneration Committee approval on List of candidates' names (attached), by ensuring application of the provisions of Articles No. 40 and No. 41 of the Chairman of SCA Board of Directors' Decision No. (7 R.M) of 2016

Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

2. Voting on the General Assembly resolutions relating to Board members election shall be made according to the following procedures:

- General Assembly resolutions relating to election, dismissal or accountability of Board members shall be voted by cumulative secret voting, where the votes shall be calculated on the basis that “each shareholder shall have votes equivalent to the shares it owns”, in accordance with article No. 146 of Commercial Companies law.
- An introductory profile about the candidates of Board membership shall be provided before the voting, giving shareholders a clear idea of the experiences and qualifications of the candidates.
- The voting process shall be carried out through a special voting card distributed to the present shareholders or their representatives at the meeting, provided that this card is prepared well in advance of the meeting, or through a computer program "voting system", or by electronic voting.
- If a shareholder votes more than the shares it owns, the excess votes will be reduced on pro rata basis among the candidates who votes for them.

- If a shareholder votes less than the shares it owns, it shall not be able to use its rest votes by adding them to a candidate.
- The candidates shall be arranged in descending order according to the number of votes obtained by each candidate, and the election of the candidates who obtained the largest number of votes shall be announced, taking into account the seats for independent members who must constitute at least one third of the members of the Board according to the election rules and conditions.
- When counting votes, the top candidates in terms of votes winning shall be declared and then the next, provided that the number of seats allocated to independent members shall be taken into account. If five members are required, for example, the first five of those who have won the top votes shall be declared if they include at least two independent members, or the first three winning candidates shall be declared if they do not include independent members and the number shall be completed from independent members according to votes obtained by the candidates in this category. If there is among the top three candidates an independent member, the winning of the fourth candidate or the next top independent candidate shall be declared and so on.

- In the event that the company General Assembly is not able to take a decision regarding the election of the Board members in two consecutive meetings despite the availability of the quorum, the SCA shall refer the matter to the Board chairman and, after consulting with the competent authority and the bodies entrusted with overseeing the activity of that the company in the State, appoint a temporary board of directors for the company for a period not exceeding a fiscal year.

#### **Fourth: Disclosure in Arabic and English**

- Invitation to shareholders shall be published in daily newspapers, and the website of the financial market and the company in Arabic and English.
- In addition to the means stipulated in the Companies Law that have been explained above, modern means of communication such as text messages and e-mail may be used to direct the invitation, provided that the procedures set out in Clause Seven below shall be taken into account.
- If there is an election of the Board members, upon inviting the shareholders to a General Assembly meeting, the candidacy opening shall be announced in daily newspapers and posted on the website of the financial market and company in Arabic and language.



- Interpretation service into Arabic and English shall be provided during the General Assembly meeting.
- Copies of the corporate governance report must be available at the annual general meeting and on the website of the financial market and the company in Arabic and English.
- The website of the financial market and the company must disclose the results and minutes of the general assembly meetings in Arabic and English.
- All company disclosures on the website of the financial market and the company must be in Arabic and English, including the disclosure of the date of the Board meeting and the results of the meeting.
- Electronic links shall be added on the company's website to download and browse the investor's rights guide issued by the SCA in both Arabic and English and this link shall be added to the shareholders 'invitation to the general assembly meeting.

### **Fifth: Electronic Voting**

Based on the Chairman's Decision No. (3 / RM) of 2019 regarding amending the chairman of SCA Board of Directors' Decision No. (07 / RM) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Joint Stock Companies, which allowed companies listed in the state's markets to implement the electronic voting system on the

resolutions of the general assembly and the election of Board members, companies shall observe the following:

- Coordination with the concerned market, well in advance of the General Assembly meeting, to agree on the requirements and procedures to be applied.
- It is necessary to disclose on the website of the concerned market and the company, on the Investor Relations page, through the General Assembly invitation, and through other means of communication, the date and duration of the electronic voting opening according to the mechanism approved by the relevant market in this regard.
- The meeting chairman shall indicate the number of votes participating in the meeting through the electronic voting, whose attendance is registered in the shareholders register, upon announcing availability of the quorum necessary for convening the meeting.
- That vote collector shall clarify, when voting on General Assembly resolution, the number of votes participating through electronic voting for each General Assembly resolution.

### **Sixth: Electronic Services**

1. All forms and procedures related to convening the general assembly meetings and electing the Board members are available on the following website:

<http://www.sca.gov.ae/arabic/services/pages/servicecard36.aspx>

<http://www.sca.gov.ae/Arabic/Services/Pages/ServiceCard96.asp>

[x](#)

2. The company must submit the invitation to the general assembly meeting, the candidacy opening form and the governance report electronically through the electronic service system available on the SCA website, at least three working days before the date set for publication, through the persons authorized by the company.

### **Seventh: Announcement of General Assembly Invitation**

In accordance with the provisions of Article No. (172) of Federal Law No. 2 of 2015 regarding commercial companies, which gave the authority to the SCA to determine the means of notifying shareholders to the General Assembly meeting, and based on the text of Article No. (24) of the chairman of SCA Board of Directors' Decision No. (7 R.M) of 2016

concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, as amended by The Chairman of SCA Board of Directors' Decision No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, as amended under SCA Board of Directors' Decision No (3 / RM) of 2019, companies can send general assembly invitations to the company shareholders through text messages (SMS) or e-mail, provided that the Articles of Association shall provides so, and must be followed actions shall be followed:

- Adding an item in the agenda of the general assembly (a special resolution) to amend the article of general assembly invitation announcement in the company articles of association to include the abovementioned amendment.
- Submitting the articles of association amendment after obtaining the general assembly consent.
- Publishing the amendment in the official gazette (Ministry of Justice).



- Coordinating with the concerned market regarding the application mechanism and sending invitations.
- After completing the above mentioned procedures, the company can send the invitation via SMS or electronic mail, taking into account communication with all shareholders to update their data with the company and the financial market.

### **Eight: Compliance with Legislation Amendment**

The listed company shall comply with any legislation amendment to the rules governing the companies, which is issued after circular issuance from its date of enforcement.