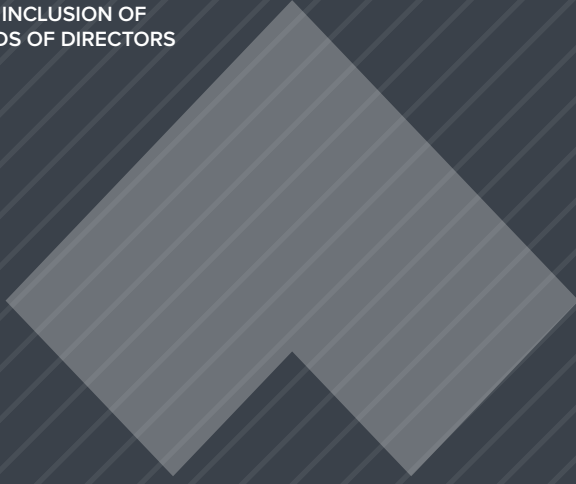




Reference Guide

For the Nomination and Inclusion of
Women on Boards of Directors





PRESIDENT'S MESSAGE

Women have represented a central pillar in the development of our country over the past five decades, strongly contributing to its growth and advancement. Our country's leadership has been keen to embed equal opportunity and gender balance into its strategic plans laying out the future of the UAE as one of the top countries in the world in all spheres.

Since its establishment in 2015 by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, the UAE Gender Balance Council has worked to realise the vision of our country's leaderships to advance the status of women and build national capacities to deal with present and future challenges. The Council implemented multiple projects and initiatives, with the goal of contributing to achieving the national goals related to enhancing the role of women in development and strengthening their global presence.

The UAE Gender Balance Council issued this guide as a new initiative that contributes to the achievement of the strategic goal of reducing the gender gap across all government sectors. It aims to increase the representation of women in leadership and decision-making positions in both public and private sectors, including on boards of directors. Women's representation on boards of directors is crucial because companies are some of the important pillars of the national economy, and because boards of directors are key decision-makers in organizations and major drivers of their success, with the responsibility of setting and implementing strategic plans.

Increasing female representation on boards of directors has a positive impact on those boards and their organisations in general, as supported by specialised studies and practical experiences internationally. It also furthers the achievements accomplished in the past few years in the crucial goal of gender balance

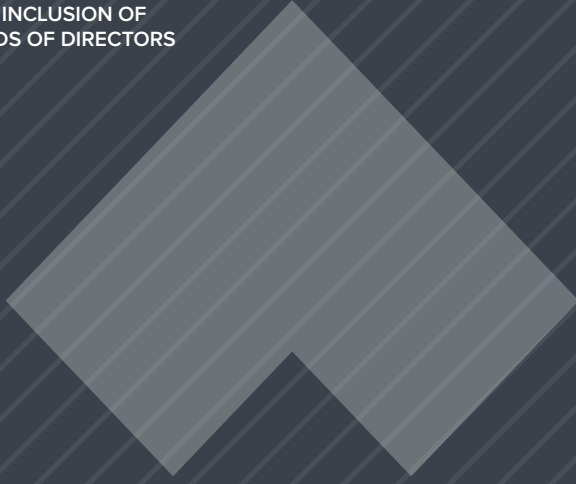
in the national agenda, contributes to achieving the 2030 Sustainable Development Goals, strengthens national governance values and principals, and enhances the country's global competitiveness.

It is a source of pride and pleasure that in 2012, the UAE was the first nation in the Gulf region, and the second country globally, to issue binding legislation requiring organisations and government entities to include women on boards of directors. The legislation was issued by the Council of Ministers, which launched the "Women on Boards of Directors" initiative in November 2011 with the aim of increasing female representation on boards of directors in public and private organisations in the UAE. Additionally, the Securities and Commodities Authority issued a resolution requiring public joint-stock companies listed in the financial markets to increase the percentage of female representation on their boards of directors to at least

20%. We therefore need joint efforts to fulfil our national objective. Indeed, to benefit from this legislation and government vision, women should, for their part, enhance their knowledge and skills, to enable them to join boards of directors and positively contribute to the boards and to organizational performance. Women are undeniably capable of making this contribution, given their professional capabilities and their proven success in all fields in the past years.

Manal bint Mohammed bin Rashid Al Maktoum

President of the UAE Gender Balance Council



VICE-PRESIDENT'S FOREWORD

We are pleased to issue this guide as one of the awareness-raising initiatives of the UAE Gender Balance Council, aimed at highlighting a form of economic support for women, consisting of increasing their representation on boards of directors in both private and public organizations, and its multiple positive impacts.

The Council's attention for women's representation stems from our national leadership's vision that considers women key plays in the success and development of society; and from the goals of UAE Vision 2021 that advocate increasing women's participation especially in the economic field.

This guide addresses the importance of female representation on boards of directors for women, on the one hand, and for boards, organizations, and the economy in general, on the other. It also details the skills and competences that nominated women need to make a positive contribution to boards. Research showed that women's representation in leadership roles has multiple benefits, namely the ability to inspire

others, individual development, and effective communication. Research also found that companies with gender-diverse boards of directors achieved better financial performance; and companies with more women in leadership roles scored better in a number of corporate performance indicators, namely accountability, innovation, and leadership skills. Additionally, experiences indicated that the positive and effective representation of women in boards of directors of companies of all types and sizes adds a new and different perspective to the management style, increases independence, enhances innovation, improves performance in terms of added value to shareholders, and strengthens community and administrative governance. Evidently, only positive outcomes result from increasing the number of women on Boards, for the individual, for the company, and for the economy.

Based on these international practices, and following the directives of our country's leadership to enhance the economic role of women, the UAE Gender Balance Council has built

strong partnerships with national stakeholders in order to implement the “Women on Boards of Directors” initiative. The initiative was launched in 2011 by Her Highness Sheikha Manal bint Mohammed bin Rashid Al Maktoum (wife of His Highness Sheikh Mansour bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Presidential Affairs), who acts as President of the Council, and President of the Dubai Women's Foundation. As part of the initiative, the UAE Gender Balance Council signed Memorandum of Understanding with the Securities and Commodities Authority in 2017 to promote mutual cooperation and increase joint efforts to raise awareness and organize training programs and capacity building workshops aimed at preparing qualified female leaders to join boards of directors. These efforts will also help implement the Authority's resolution requiring public joint-stock companies listed in the financial markets to have women represent at least 20% of their boards of directors. This was a leading step to keep up with global stock markets that require mandatory quotas or set guidelines for women's representation in the boards of directors of companies listed in them.

The combined efforts of the Council and the Authority further enhanced the results achieved in the government sector as a result of the resolution of the Council of Ministers requiring government entities and institutions to include women in their boards of directors. Indeed, women's representation in boards of directors increased to 17% in 2018 in government institutions; whereas it increased to 5% in 2017 in public joint-stock companies listed in the Dubai financial market, compared to 2.49% in 2016 and 1.2% only in 2008. I look forward to seeing and supporting continued efforts to advance gender balance in this sector in coming years.

Mona Ghanem Al Marri

Vice President of the UAE
Gender Balance Council



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CHAPTER ONE





1

INTRODUCTION

Empowering women and narrowing the gender gap has long been championed by the leaders of the UAE. Through the implementation of various laws and regulations concerning the governance of all boards and councils that call within its scope, the UAE has built a solid legislative foundation that paves the way towards establishing women as strong contributors on boards of directors.

To achieve the objectives behind efforts that have been made to-date, women must realise the importance of the role they can play by becoming members of boards of directors. This realisation is just a first step, after which women must prepare themselves in order to benefit from the opportunities offered by the wise leadership of the UAE. This preparation can be achieved by keeping pace with the latest economic and business developments in the UAE and the Gulf region and by acquiring the necessary knowledge that can then bring added value to the boards of directors, as well as maintaining relationships with the business community in the UAE. These are key steps that will open up new horizons for women to join

boards of directors and to assume more leading positions in corporations and government entities.

It is important to keep in mind that joining a board of directors for the first time can be challenging for both men and women. In fact, it is common to feel some apprehension about joining a board of directors and participating in its activities. Rather than considering this as a reason to avoid this new experience, women should see it as a strong motivation to better equip themselves with confidence and willingness to prove their capabilities, and thus enable themselves to manage the requirements of this role successfully.

With that purpose in mind, this guide was prepared in accordance with the strategy of the UAE Gender Balance Council, by endorsing the highest standards to achieve full empowerment and participation of women in all areas of work, including on boards of directors, to eventually achieve gender balance across decision-making positions.



2

DEFINITIONS

Board of Directors	The highest authority within a public institution or company.
Chairperson	Chairperson of the board of directors.
Board Member	A member of the board of directors of a public institution or a public joint-stock company.
Executive Management	The Management Department headed by the general manager or the chief executive officer and which implements the recommendations of the board of directors.
General Manager	Also known as the chief executive officer, the general manager is the person who leads the day-to-day management of the company or the public institution, and who is responsible for taking all operational decisions and leading the company staff and resources to achieve the objectives of shareholders or representatives of public funds.
Sole Proprietorship	A company that is owned and managed by a single citizen, who alone outlines its policies, obtains all its profits, bears all its losses, and represents its only decision-maker.
General Partnership	A company established by two or more UAE nationals as partners who are jointly liable for all the company's obligations with all their personal funds.
Limited Partnership	A company consisting of one or more general partners, who have unlimited liability for the company's obligations, and one or more limited partners, who are liable for the company's obligations only to the extent of their respective shares in the company's capital. All the partners in the company must be UAE nationals.

**Limited
Liability
Company**

A company in which the number of partners may not exceed 50 or fall under two partners. It may be formed by a single national natural or legal person. A partner shall only be liable to the extent of their share in the capital.

**Private
Joint-Stock
Company**

A number of founders between two and 200 may establish a private joint-stock company, just as a single legal person may establish and own a private joint-stock company that does not offer its shares for public subscription. Founders shall subscribe to the full capital, which shall not be less than five million dirhams. The liability of the shareholders is limited to the extent of their contribution to the capital.

**Public
Joint-Stock
Company**

A company whose capital is divided into negotiable shares of equal value. Founders subscribe to a portion of these shares and offer the rest to the public by way of public subscription. A shareholder is only liable to the extent of their share in the capital. Five or more persons may establish a public joint-stock company. The federal government, local government or any company fully held by them may be a shareholder in a public joint-stock company or incorporate by itself such a company by itself.

**Executive
Board
Member**

A member who holds a position in the same company and for which they receive a salary. Executive board members may include people other than the company's chief executive officer, such as its financial manager, marketing manager or even an employee within the company.

**Non-Executive
Member**

A board member who does not hold any position in the company and does not receive a salary from it, but who may have other ties to the company, such as being one of its suppliers, large clients or advisers.

**Independent
Member**

A board member who does not have any ties with the company or the institution or any of its executive management members, auditors, parent companies, subsidiaries or sister companies, other than their membership on the board of directors. Such members are deemed the strongest and best members of the board, due to the fact that they do not have any personal interests or benefits in the company or the institution that may affect their decisions.

3

SCOPE OF APPLICATION OF THE GUIDE

This guide is a reference for women willing to join the boards of directors of public Joint-stock companies or public institutions. It is comprehensive in its scope and can thus be used by anyone who wishes to join the board of directors of an institution or a company of any kind.

4

THE IMPORTANCE OF WOMEN'S REPRESENTATION ON BOARDS OF DIRECTORS

- Companies are amongst the main pillars of the economy and boards of directors are powerful drivers of companies and the greatest determinant of their success or failure.
- The participation of women on boards of directors of companies is a natural development of their leadership and excellence in many important fields, such as their appointment to ministerial and government positions, entrepreneurship, academic excellence, and outstanding participation in community work and philanthropic activities.
- Women should not view membership on boards of directors as a special honour, privilege, or social status, but rather as a duty and responsibility, for which they must equip themselves with knowledge and skills in order to succeed, just as they have succeeded in many other economic and social spheres.
- A woman's motivation to become a member of any board of directors should be her to make remarkable contributions to the success of the institution or company and help overcome its challenges through effective teamwork and collective action in cooperation with the other board members.
- A woman may choose to join a board of directors because of her passion for public work or for the company's sector, and her conviction that she is able to contribute high added value to the company, and its shareholders and clients through her role as a member on its board of directors.



The importance of women on boards of directors

For seven consecutive years, McKinsey's annual reports showed the impact made by women joining boards of directors. In 2013, the report showed that **companies with women on their boards realised on average a return on equity that exceeded the market average by 47%, and made 55% more profit than companies with no women's representation on their boards of directors.**

McKinsey & Company, Women Matter 2013.

5

THE BOARD MEMBER'S SCOPE OF WORK AND RESPONSIBILITIES

- Contributes to the development of the strategy and general vision of the institution or company.
- Guides and supervises the executive management, oversees its performance, and corrects it if required..
- The board of directors as a whole is collectively responsible for any decisions it takes.
- A board member cannot evade responsibility for a decision unless they explicitly objected it decision and their objection was recorded in the minutes of the meeting.

6

NOMINATION REQUIREMENTS AND CHARACTERISTICS OF A BOARD MEMBER

- The Securities and Commodities Authority sets the requirements for nominations to the boards of directors of companies listed in the UAE markets. Such requirements include having five years of experience in the company's field of operation; not being sentenced in a case involving a breach of morality; not being dismissed from a previous post as a member of the board of directors of a listed company during the year preceding the nomination; having a professional record clear of any administrative sanctions, and not having any judicial proceedings, reports or investigations related to their honesty and integrity. In addition, there are certain qualities required for a board member to succeed in performing their expected duties. More particularly, a board member must:
- Realise the importance of the board and the significance of the role they are undertaking.

- Have the experience, knowledge, and skills relevant to the company's field of operation in order to bring significant added value to the board.
- Be intelligent and diplomatic and show team spirit, as the board is essentially a team that works in harmony to ensure excellent management and supervision of the company.
- Show honesty, integrity, and flexibility in order to deal with the differences that may arise within the board.
- Show positive attitude, including good cooperation with colleagues on the board.
- Allocate time and effort to prepare properly for board meetings. Should a board member fail to allocate the appropriate time to carry out their responsibilities, they may be deemed neglectful and be subject to legal consequences in some cases.
- Respect others, avoid belittling their views and proposals, uphold the values of integrity and ethics, and assume responsibility even in times of crisis.
- Show independent critical thinking so that other parties do not affect their neutrality and objectivity.
- Show cleverness and clear-sightedness, and understand the company's frameworks and decision-making limitations so that they do not propose decisions or actions that may conflict with the company's frameworks, available resources or any further imposed restrictions.

7

ROLES AND RESPONSIBILITIES

1. The shareholders elect or appoint the board of directors to direct and supervise the company's management on their behalf. Therefore, the board of directors is the body entrusted with establishing the rules of corporate governance and it is one of the most important contributors to the company's success in the long term. In accordance with the governance rules in the UAE issued by the Securities and Commodities Authority, "the management of the Company shall be assumed by a Board of Directors. The Company's Articles of Association shall determine the method of formation of the Board of Directors, the number of its members and the term of its membership." Therefore, the ideal board of directors is a balanced team that benefits from various experiences and skills to achieve the company's strategic goals and provides general directives for the executive management, which in turn relays such directives to the rest of the administrative levels within the company.
2. The management is responsible for achieving the company's goals through its available resources while complying with the company's strategic orientation. Such responsibility is individual and assumed by the director or the decision-maker. In contrast, the board of directors determines the company's strategic orientation, gives general directives to executive management and monitors its performance as a collective responsibility of the entire board as a whole, and not of the chairperson of the board or any of its individual members.
3. The board of directors also undertakes to:
 - a. Select the chief executive officer, determine their terms of reference and duties, encourage them, determine their remuneration, evaluate their performance, and replace them if necessary.
 - b. Approve all core policies and procedures in the company.
 - c. Approve the company's strategic plan.
 - d. Ensure the proper succession of

power between the company's leadership.

- e. Ensure that the company has a good risk management system in place.
 - f. Ensure that an effective internal control system is in place.
 - g. Monitor the company's compliance with the UAE laws and regulations.
 - h. Ensure the validity of information disclosed by the company.
 - i. Review the company's financial performance and financial statements and cooperate with the external auditor.
 - j. Communicate with the company's shareholders.
 - k. Ensure that the company has a positive and ethical corporate culture.
4. A board member also has to carry out all their work on the board and its committees with honesty and in a logical manner that principles that they believe will achieve the best interests of the company. They should

also make all the necessary efforts to take appropriate on any matters presented to them.

5. The loyalty of a member of the board of directors shall be to the company and not to themselves or to the shareholder who elected and placed them on the board of directors. A board member shall refrain from holding shares in competing companies and from using the company's assets or the information obtained from it to achieve any personal benefit to themselves or to others. They shall also refrain from disclosing any confidential information relating to the company or sharing any information with third parties without the company's consent.

CHAPTER TWO





GENERAL FRAMEWORK FOR THE ESTABLISHING BOARDS OF DIREC- TORS AND NOMINATING MEMBERS

1 | BOARDS OF DIRECTORS OF GOVERNMENT INSTITUTIONS

Government for-profit and non-profit entities and institutions are established by a law of the President of the UAE, and the members of the boards of directors of such entities are chosen by the Council of Ministers.

The operation of the boards of directors and boards of trustees of institutions and companies owned by the Federal Government is regulated by the UAE Presidential Decree No. 5 of 2011, which gives the Council of Ministers the power to form boards of directors and define their governance systems. This includes for-profit as well as non-profit institutions. The Decree stipulates that the members of such boards shall be chosen based on their expertise and competence and that their number

shall range from seven to nine members, including at least three independent members. It is prohibited for any person to be a member of more than four boards or a chairperson of more than three boards. It is also prohibited for board members of non-profit entities that supervise or regulate companies with shares in UAE financial markets to be members of the boards of directors of those companies. These boards work like the boards of other companies, except that they submit their periodic reports to the Council of Ministers.

2

BOARDS OF DIRECTORS OF PUBLIC JOINT-STOCK COMPANIES

This is the most common form of large companies and the focus of financial markets. Many companies and banks around the world fall under this category. The following are the most important concepts associated with this type of companies. The creation of public joint-stock companies requires the following:

1. **Founders or a founding committee.**
2. **Incorporation steps.**
3. **License decision.**
4. **Call for public subscription.**
5. **Prospectus.**
6. **Constituent general assembly.**
7. **Request to announce the company's incorporation.**
8. **Nomination and selection of board members.**

According to the governance system, as mentioned above, the owners of the capital (shareholders) elect the board of directors, which in turn selects, directs and supervises the chief executive officer and monitors their performance. The board must include the various expertise and competencies required for the proper direction and supervision of the company. The process of nomination and selection concerns the way by which shareholders of companies can recruit and select the best-qualified

candidates for board membership. The detailed procedures may vary but the broad outline of the mechanism of nomination and election of board members remains the same. The following are the procedures adopted by the public joint-stock companies listed on the Abu Dhabi Securities Exchange and Dubai Financial Market:

1. **Announce the opening of nominations for the membership of the board of directors and invite the general assembly to convene, according to the following steps:**

- Apply for the Authority's approval of the draft announcement of the opening of nominations together with the draft invitation of the general assembly, before publishing the same as per the forms approved by the Securities and Commodities Authority at least 18 days prior to the date of the general assembly meeting.
- Publish the announcement together with the general assembly invitation in two local daily newspapers, at least one of which must be published in Arabic, and by registered letters or text messages and emails (if applicable) at least 15 days prior to the company's general assembly meeting.

- Keep nominations to the board open for at least 10 days from the date of the announcement.
 - Publish the names of the candidates and their nomination details on the company's bulletin boards and website and on the financial market's website at least two days prior to the company's general assembly meeting.
 - Once nominations close, candidates may not withdraw their candidacy in favour of another candidate.
 - The company shall provide the Securities and Commodities Authority and the Financial Market with the list of candidates the day after the nomination closes.
 - In certain Emirates, companies may require prior approval of the names of candidates before the election takes place. In this case, companies must take into account the time periods referred to above, in order to obtain the necessary approvals from local entities in a timely manner, so that the names of approved candidates are published at least two days prior to the company's general assembly meeting, with reference thereto in the announcement of the opening of nominations.
 - Any person wishing to be nominated may submit an application to the company accompanied by the following documents:
 - a. Curriculum vitae, indicating professional experience, academic qualifications, and the capacity for which they wish to nominate themselves: executive, non-executive or independent member.
 - b. A declaration that they will comply with the provisions of the Companies Law, its implementing resolutions, and the company's articles of association, and that they will exercise reasonable care in the performance of their duties.
 - c. A statement of the names of the companies and institutions in which they work or act as board members, as well as any work they do directly or indirectly that may represent competition for the company.
 - d. In the case of representatives of a legal person, an official letter from the legal person specifying the names of its representatives nominated for the membership of the board of directors must be attached.
- 2. Voting on the general assembly's resolutions related to the election of board members shall take place according to the following procedures:**
- Voting on the general assembly's resolutions related to the election of board members shall be made by secret cumulative voting. This means that each shareholder shall have a number of votes equivalent to the number of the shares they hold in the company and that each vote shall be used once only.
 - A profile of the persons nominated for the membership of the board of directors shall be provided prior to the vote to give the shareholders a clear idea of the experience and qualifications of the candidates.

- Voting shall take place through a voting card distributed to shareholders or their representatives present at the meeting. The UAE law also allows the use of electronic voting.
- Candidates shall be ranked in descending order according to the number of votes obtained. The candidates who obtained the highest number of votes shall be announced, while taking into account the seats allocated for independent members, who should form at least one-third of the board members according to the rules and conditions of election.
- Once all votes have been counted, successful candidates shall be announced in the order of the highest number of votes, while taking into account the number of seats allocated to independent members.
- If the company's general assembly was unable to take a decision regarding the election of the members of the board of directors in two consecutive meetings despite the quorum being present, the Authority shall raise the matter to the chairperson of its board of directors to appoint an interim board of directors for the company for a period not exceeding one fiscal year.
- Article 40 of Resolution No. 7 concerning "Governance Rules" issued by the Securities and Commodities Authority for the year 2016 states that, "the articles of association of the company shall specify the composition of the board of directors, the number of its members and the term of membership, provided that the representation of women is not less than (20%) of the board of directors. The company shall disclose the reasons for the failure to achieve that percentage. It shall also disclose the percentage of female representation on the board of directors in its annual corporate governance report."
- The directions of the UAE Securities and Commodities Authority is aligned with the directions of many regulators in developed countries.
- According to a report published by 'Standard Business' in 2018, the quota system has resulted in a significant increase in the representation ratio of women on boards of directors in countries that have mandatory quotas for women. This ratio has reached 42% in Norway, 41% in France, 38% in Sweden, and 36% in Italy. These countries achieved far better levels than in countries that used guideline ratios, with 27% in Britain, 21% in Germany, 19% in Austria and 22% in the Netherlands.



In most western European countries, quotas have been set for women board members. In 2008, Norway required listed companies to have a quota of at least 40% of women on boards of directors. The quota system has also been used in Belgium, France, and Italy, which imposed penalties on violating companies, by striking them off or preventing them from disbursing remunerations to members of the board of directors. Other countries such as Germany, Spain, and the Netherlands preferred not to impose penalties and used more flexible methods to persuade companies.

'The Economist, February 2018'

CHAPTER THREE





FINANCIAL MARKETS (CAPITAL MARKETS) AND REGULATORY AUTHORITIES

1

FINANCIAL MARKETS

Also known as stock exchanges, financial markets are the place where shares and bonds of joint-stock companies are traded. Trades are processed through intermediaries, also called brokers, and not by the individuals themselves. There may be more than one financial market in one country. In the UAE has three main markets: Dubai Financial Market, the Abu Dhabi Securities Exchange, and the NASDAQ Stock Exchange in the Dubai International Financial Centre (DIFC). While companies listed on the Dubai and Abu Dhabi markets are required to have at least 51% of their shares owned by UAE nationals, the NASDAQ Stock Exchange does not require such a condition. Companies registered in these markets are called “listed companies” or “registered companies”. Following are the details of the financial markets in the UAE:

Abu Dhabi Securities Exchange

This is the largest stock market in the country. It was established in 2000 and has 76 listed companies with a total market capitalization of approximately AED 515 billion.

Dubai Financial Market

The Dubai Financial Market was established in 2000 and has 67 listed companies. Its total market capitalization amounts to approximately AED 344 billion.

NASDAQ Dubai

The Nasdaq is a global financial market that was established in 2004 by the DIFC, a financial free zone. It has nine listed companies, in addition to a large number of Islamic Sukuk and bonds. The market capitalization of the listed shares is approximately USD 85 million.

There are two types of stock markets in the country:

Primary Market: A market where companies offer their shares for the first time in what is known as the “Initial Public Offering” or IPO.

Secondary Market: A market where traders buy and sell stocks after the initial public offering.

2 | REGULATORY AUTHORITIES

All markets in the UAE shall be governed by a body that regulates their operation, and sets their rules and standards to ensure their smooth operation and protects the rights of all participating parties. In the UAE, there are three regulatory bodies for the companies listed in the country:

- a. **Securities and Commodities Authority:** It regulates the major stock exchange markets in the UAE, i.e. the Abu Dhabi Securities Exchange and the Dubai Financial Market.
- b. **Central Bank:** It regulates the affairs of banks and financial institutions in the country, including those listed on the Abu Dhabi and Dubai markets.
- c. **Dubai Financial Services Authority:** It only regulates the NASDAQ market in the DIFC as a financial free zone.

CHAPTER FOUR





GOVERNANCE OF BOARDS OF DIRECTORS

The world has witnessed numerous global financial crises and the collapse of many established companies, which were all attributed to weak governance systems. Governance, in general, is the system by which institutions are directed and monitored. If the managers of a company are not the capital providers, as is the case in public joint-stock companies, then there must be mechanisms in place to ensure that these managers properly manage these funds that they do not own and avoid any losses.

For this reason, essential governance fundamentals must be implemented, regardless of the company's type or field of its activity. Such fundamentals include responsibility, accountability, transparency, and justice. In the same way that shareholders elect members of the board of directors to protect their interests in the company, the board is also accountable to shareholders, for any failure to protect such interests. In turn, just as the board of directors is responsible for appointing the CEO to ensure the proper management of the company, the CEO is responsible for any mismanagement or neglect. Given the number of stakeholders that can be affected by the company's business, such as its employees, suppliers, customers, creditors, and others, it is essential to ensure transparency and justice. Therefore, the company should share any information that may

be relevant to such stakeholders and treat them with complete fairness by not maximizing the benefits of some at the expense of others.

Board Committees

The board of directors shall form committees comprising some of its members. Some of these committees are mandatory and must be formed in accordance with the rules of regulatory bodies, rules of registration in financial market(s), rules of the Central Bank or certain global financial directives (especially those related to financial institutions). Such committees shall be specialised and each one shall carry specific responsibilities to submit recommendations for approval to the board of directors. It is important to note that these committees have strategic, supervisory or regulatory and non-executive roles with no decision-making powers. These committees study and discuss specific matters indicated at their creation by the board of directors to which they submit their reports and recommendations for it to adopt what it deems appropriate. If the board delegates the decision-making role to one of its committees in certain issues, it still remains fully responsible for such decisions. According to governance rules issued by the Securities and Commodities Authority in the UAE, there are two mandatory committees for all listed companies:

the Audit Committee and the Nomination and Remuneration Committee. Since all members of the board, with the exception of the Chairperson, are usually members of the board's committees, it is necessary to know the expected role of each committee prior to joining it. If a member of the board of directors is not a member of any committee, they

shall ensure that such committees work properly and submit detailed reports to the board, thus enabling it to take the appropriate decisions, for which it assumes the ultimate responsibility. Following are some of the most important board committees:

1

AUDIT COMMITTEE

Also known as the “Review Committee”, the Audit Committee is the most important board committee. The minimum number of its members is three; of which two at least must be independent and the majority non-executive. At least one member shall be an expert in financial affairs. The committee should meet at least once every three months. Due to the large responsibilities entrusted to this committee, meetings may occur more frequently, especially in periods of crisis. All the members attending a meeting must sign the committee's minutes before submitting them to the

board for discussion and approval. The responsibilities of the Audit Committee includes a number of matters, the most important of which are to discuss the financial statements and accounting policies of the company; to verify the quality of the internal control systems and internal audit; and to verify the quality and accuracy of the information provided by the management to the board or third parties. The committee also works directly with the external auditor and ensures that there is a solid and updated risk management policy to identify and handle all types of risks.

2 | NOMINATION AND REMUNERATION COMMITTEE

This is the second mandatory committee for listed companies in the UAE and it is subject to the same rules of composition as the Audit Committee, except that it should meet at least once a year. The committee is responsible for preparing and annually reviewing the company's policy for disbursing remuneration, bonuses, incentives, and salaries to members of the board of directors and employees of the company. The committee is also responsible for verifying that the remuneration and bonuses disbursed to the company's senior management

are reasonable and proportional to the company's performance. Another role of the committee is to identify the company's needs in terms of talents and their selection at the senior management level. Additionally, the committee prepares and monitors the policy of human resources and training within the company and reviews it on an annual basis. Last but not least, the committee organises and monitors the board of directors' nomination procedures, as per the relevant UAE laws and regulations.



CHAPTER FIVE





GENERAL GUIDANCE FOR WOMEN NOMINATED TO A BOARD OF DIRECTORS

1

BEFORE BECOMING A MEMBER OF A BOARD OF DIRECTORS

It is important to note that membership on a board of directors is a responsibility, and not a reward or an honour. Therefore, when a woman is nominated by a shareholder to be on the board of directors, she must take into account some considerations before agreeing to accept such a position.

Do I have sufficient time to properly perform my responsibilities as a board member?

To answer this question, you must identify the responsibilities you will be undertaking according to the company's laws and regulations; the committees you are expected to join; the number of meetings the board and committees hold annually, and the current general conditions of the company and the its industry. Companies that are going through exceptional circumstances or major challenges and an industry that is suffering from rapid fluctuations or other disruptions require more time from a board member.

Do I have the suitable knowledge and experience?

A woman's nomination to a board of directors can be exciting news that does not take much thinking before accepting it. However, it is important to remember that the board of directors bears the responsibility of directing and monitoring the management. Hence, in order to

succeed in this role, the new member should collect adequate information about the company and the industry and possess relevant experience to be part of the board. This is not limited to previous experience on a board of directors, but experience in one of the essential areas of board responsibility, such as strategy, information systems, risk management, financial management or any other areas of expertise required for the board of directors.

Does the company have a good reputation in the market?

It is recommended to gather enough information about the company and its board of directors before accepting to be part of it. In fact, it may be the case that a company and its board do not hold a positive reputation in the market. If the company is known for negative or immoral practices that result in complaints from its employees or multiple penalties imposed by regulatory authorities, or if it has a reputation for disrespecting customers or anything that is unfavourable, then it may not be wise to join it, unless the company is taking actions to correct its course by changing the composition of its board and executive management.

GUIDELINES FOR WOMEN WILLING TO BE NOMINATED TO THE BOARD OF DIRECTORS

Below are some other guidelines that women should take into account in order to increase their chances of getting a seat on the board of directors:

- When established, every company sets and approves its “Articles of Association”, which represents the constitution of its establishment and detailed operations. It is necessary to read the Articles of Association of the company one would like to join, as it defines the general structure of the company and the procedural details of the board of directors, including the process of nomination and election, which may include additional requirements for nomination, such as shareholding, a nationality requirement or other relevant requirements.
- Women should read the official newsletters and websites of the companies or banks that they would like to be nominated for, as many companies use such platforms to publish notifications about opening board nominations and the necessary procedures to follow for the nomination process. They may also publish additional information about the company and their market, which may be useful when making the final decision or applying for a nomination to the company’s board of directors.
- Before submitting the nomination application, it is necessary to ensure that it satisfies all the conditions set by the committee and includes all the required documents, so that it is not disregarded and the opportunity for an applicant’s nomination is not missed when the candidate is fully qualified to become a member of the board.
- Some companies require nominees to come in for interviews or to give presentations. It is important to remember that the position on a board of directors is a supervisory, strategic and non-executive position. Therefore, the focus should be on displaying the nominee’s general and strategic expertise and skills, rather than their technical and managerial skills.
- Shareholders in the UAE elect board members through “cumulative voting”, which that each shareholder has a number of votes equivalent to the number of shares they hold within the company and shall use each vote once only. For example, if a shareholder has a million shares, and they elect a member using 700,000 votes, then they will have only 300,000 votes left to vote for other selected candidates. This aims to prevent one shareholder from electing all members and to

ensure that the rest of shareholders are able to select members of the board. Hence, it is key for shareholders to get to know the nominees and their experience and capabilities in order to ensure a successful election, as it is not recommended for a nominee to rely on only one shareholder to succeed in the election.

- Women should reflect on the added value they can bring to the board of directors and to the company through their membership on the board.
- The board of directors requires diverse expertise and skills among its members, and certain areas of

expertise have become extremely crucial for every board, including financial expertise, information systems, strategy, and global markets. As such, women must focus on using their unique expertise and skills to add value to the board and to the company as a whole; it is not enough to simply be present on the board as a woman. Women's participation on the board of directors places a great responsibility on them. In fact, their success and achievements within the board will send a clear message about the importance of the presence of women on boards and will pave the way for more women's representation on boards of directors.

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NEW BOARD MEMBER

Participating in a board of directors for the first time can be challenging for both men and women. Below are some guidelines that may help to navigate this new situation successfully.

- **Collection of Information**

A new board member must collect as much information as possible about the company, its Articles of Association, ownership structure, previous board of directors, the commodities

and services it offers, the market it operates in, its important competitors, etc. It is also crucial to gather as much information as possible about the laws, regulations, and legislation under which the company operates.

Comprehensive reading and review of this information will help in understanding the strategic position of the company, the challenges it faces, the opportunities ahead of it, the restrictions it may be subject to, and

the overall relevant market trends. This will help to quickly contribute to the discussions, express sound opinions, and vote on the decisions on the issues presented during board meetings in a way that helps achieve the company's objectives.

- **Induction Programs**

Many companies and institutions run an induction program for their new board members. The program aims to speed up the process of preparing the board member to effectively contribute to the board. If the company or institution you will join does not have such a program, then you must request that an induction program be designed specifically for you. The program usually covers all the above information, but it may also have additional relevant information about the company or institution.

A good induction program includes introducing the new board member to existing members before holding any formal board meetings. This step will allow the new member to become more acquainted with the characters, personalities, and attitudes of board members and any agreements that may exist between some of them. The program also includes introducing the board member to the executive management team, such as the chief executive officer, their deputies, the finance manager, the internal audit manager, the risk manager, and other members who are on the same managerial level. During such meetings, the new board member can engage in dia-

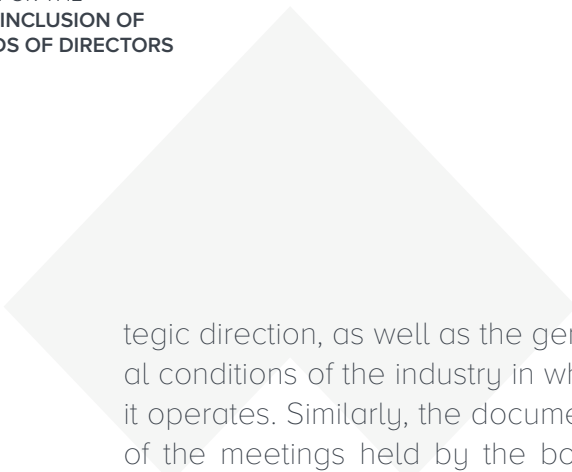
logue with the executive management team, ask questions and discuss any points of interest that they came across when reading the documents of the company or institution.

This also helps the new board member learn about the qualifications, experience, and personalities of the executive leadership. It is common that the executive management gives a presentation to the new board members covering relevant information and facts about the company or institution, its objectives, the challenges it faces, and other important details.

Some companies and institutions may also organise field visits for the new board member to see work sites such as factories, workshops, branches, etc. This helps the new board member learn about the day-to-day working conditions and the environment in which the company's staff work. Having such knowledge can be important when making decisions or giving some general guidance related to the work and the staff.

- **Reading the Annual Report and the Documents of the Previous Board and Its Committees**

Reading the annual report of the company or institution and the minutes and decisions of recent meetings held by the board of directors and its committees will provide the new member with an accurate picture of the company's situation. The annual report includes the financial statements of the company, its stra-



tegic direction, as well as the general conditions of the industry in which it operates. Similarly, the documents of the meetings held by the board and the committees include all the topics that were submitted for discussion and the decisions taken, as well as the problems and challenges faced by the board and its members during the preceding board term.

These documents do not only provide valuable information to the new board member but also help them understand the decisions that have been taken or those that must be taken to continue the efforts already started and approved, and thus ensure the stability and sustainability of the company's policies.

- **First Meetings of the Board**

It is not expected from a new member to participate in a significant and consequential way from their very first board meeting. Even after obtaining all the relevant information

and reading the documents referred to above, the new member needs to be present at the board meetings to understand the board's mechanisms of operation and how the discussion and decision-making process takes place, as well as any existing agreements between some of the board members.

Therefore, it is important for the new member of the board not to rush into participating and expressing an opinion before having a complete understanding of the context as well as the details and history of the issue in question, in addition to the roles played by each board member during and after meetings of the board. It is also important not to feel self-conscious or pressured to participate before feeling ready – both emotionally and professionally.



This guide is a non-legal and non-binding guidance document without any liability against the UAE Gender Balance Council





Reference Guide

For the Nomination and Inclusion of
Women on Boards of Directors

