

**Second Chapter**  
**The Company Management**  
**A- The Board of Directors**

**Article (15)**

The Company management shall be undertaken by a Board of Directors comprised of (5) five members a number of them shall be appointed by the body or bodies subscribing to the Company and which may delegate representatives for them under article No. 142 of the Commercial Companies Law no. 15 for the year 1960 , in proportion with the shares they own in the General Assembly in secret ballot.

**Article (16)**

The Board of Directors membership term shall be three years, renewable.

**Article (17)**

It is provided for the member of the Board of Directors that he shall own in his personal capacity or the corporate person he is representing an owner of a number of shares not less than (10,000) ten thousand shares. Such amount of shares shall be allocated to secure the member management and must be deposited within one month from the date of election and shall remain deposited without being subject to trading until the membership term ends and the balance sheet of the last financial year where the member has carried is audited. The member has not submitted the guarantee as required, his membership shall fall void.

### **Article (18)**

The Chairman or any of this Board's members may not have a direct or indirect interests in the contracts and transactions concluded with or for the account of the Company except under a license from the General Assembly. Neither of those may participate in the management of a Company similar or competitive to their Company. The Chairman or any of the Board members even if he is representing a body corporate, may not use the information became known to him by virtue of his position to obtain an interest for himself or a third party. Further, he may not sell or purchase the Company's shares throughout the term of his membership in the Board of Directors.

### **Article (19)**

Subject to the provisions of Article 15 hereof regarding the appointment of members of the Board of Directors, if the position of a member of Board of Directors becomes vacant, he shall be succeeded by whoever acquiring the high majority of votes among the shareholders who have not succeeded in the last election for the membership of the Board of Directors.

However, should the vacant positions represent one-quarter from the original positions or should nobody is fulfilling the required conditions, the Board of Directors should call the General Assembly meeting within two months from the date on which the last position becomes vacant, to elect those who shall occupy the vacant positions and in all events, the new member shall complete the term of his predecessor only.

## **Article (20)**

The Board of Directors shall elect by secret ballot a Chairman and Deputy Chairman for a term of three years provided it shall not exceed the term of their membership in the Board of Directors. The Chairman shall be representing the Company before the court and third parties, and he shall execute the resolutions delivered by the Board. The Deputy Chairman shall undertake the duties of the Chairman in case of his absence or impairment.

## **Article (21)**

The Board of Directors may appoint among its members, one Managing Director or more. The Board shall determine their powers and remunerations. The Board of Directors may appoint a General Manager for the Company and shall specify his powers and salary.

## **Article (22)**

The right of signature on behalf of the Company shall be severally vested in the Chairman or his Deputy and the Managing Director(s) according to the powers determined for them by the Board of Directors or any other member authorized by the Board of Directors for this purpose.

## **Article (23)**

The Board of Directors shall meet at least four times within each financial year upon the Chairman's invitation. It may also meet at the request of at least two of its members. The Board shall be deemed duly held if attended by the majority of its members and attendance by proxy is not permissible in the Board meetings.

### **Article (24)**

Resolutions by the Board shall be passed by absolute majority of those present. In case the votes are equal, the Chairman shall have a casting vote. A special register shall be maintained in which minutes of the Board sessions shall be recorded and signed by the Chairman. The dissenting member may request to record his opinion therein.

### **Article (25)**

If any Board member fails to attend three consecutive session - without reasonable excuse – he shall be deemed as having resigned under a resolution by the Board of Directors.

### **Article (26)**

Without prejudice to provisions of the Commercial Companies Law, the ordinary General Assembly shall determine remuneration of the Board of Directors members.

### **Article (27)**

The Board of Directors has the widest powers in managing the Company and in exercising all the functions necessary for managing the Company as per its objectives. Such power shall only be restricted by the provisions of law, these articles or the General Assembly resolutions. The Board of Directors may sell the Company's real estates or mortgage them or grant guarantees or conclude loans except pursuant to the interest of the Company.

### **Article (28)**

The Board members shall not commit themselves to any personal obligation as regards the Company's undertakings because of performing the duties of their positions within the limits of their Powers of Attorney.

### **Article (29)**

The Chairman and Board members shall be responsible before the Company, shareholders and third parties for all fraudulent acts, abuse of power, each violation of the provisions of the law and these Articles and mismanagement. A vote at the General Assembly releasing the Board of Directors, shall not preclude the institution of an action for liability.

### **Article (30)**

For the purpose of keeping the efficient employees to work with the Company, the Board of Directors has the right to develop a system named (competent staff call option) to attract competent employees to work for the company and reinforce their loyalty, provided this system considers the following conditions:

- 1) For meeting the Company's obligations under the system of "competent staff call option", the Company capital may be increased provided the total increase of the paid-up capital shall not exceed 12% within a maximum period of ten years by the end of such period. The Board of Directors is authorized to determine the sales value of the shares, provided it is re-assessed every three years by the board of directors. The shareholders waive their right of the amount of determined increase, if the company Articles comprise a provision permitting so.
- 2) The managing director, executive managers and department heads may participate in the (staff call option)
- 3) The Board of Directors is authorized to lay down the rules and conditions for the detailed framework of the system of Staff Call option.

## **B- The General Assembly**

### **Article (31)**

The invitation shall be addressed to the shareholders to attend the meetings of the General Assembly of whatever nature by means of personal signature by the shareholder on the invitation card, provided that the invitation shall be sent at least one week before the date specified for the assembly. The invitation shall contain the agenda.

The founders shall set the Agenda of the Constituent General Assembly, whilst the agenda for the ordinary and extra-ordinary General Assembly shall be set by the Board of Directors.

### **Article (32)**

In the events where the General Assembly may be held at the request of the shareholders, the auditors or the Ministry of Commerce & Industry, the Agenda shall be set by whoever requested to convene the assembly. Any issue not listed in the Agenda may not be discussed.

### **Article (33)**

Each shareholder shall be entitled to a number of votes equal to the number of his shares. Attendance by proxy at the meeting is permissible. Minor and legally incompetent shareholders shall be represented by their legal representatives. No member may participate in voting for himself or for the one he is representing legally in the issues related to his own interests or to a dispute between him and the Company.

### **Article (34)**

The shareholders shall record their names in the special register prepared for that purpose at the Company's Head Office, at least twenty-four hours before the date fixed for the General Assembly meetings. The register shall include name of shareholder, number of shares he holds and the number of shares he represents and names of their owners, subject to presentation of the Power of Attorney. Shareholder will be given a meeting attendance card indicating number of votes he is entitled to as principal and proxy.

### **Article (35)**

Provisions of the Commercial Companies Law shall apply to the quorum required for the validity of the General Assembly of its different capacities and to the necessary majority for passing the resolution.

### **Article (36)**

Voting in the General Assembly shall be made as per the manner set by the Chairman of the session unless the General Assembly determines a certain manner for voting. Voting shall be made by secret ballot for the purpose of electing Board members and terminating their membership.

### **Article (37)**

The founders shall meet within thirty days from the date of the Company's entry in the Commercial Register and publishing the official instrument of its incorporation in the Official Gazette in form of a constituent assembly. Those authorized to take the procedures of incorporating the Company shall submit a report about all operations of incorporation together with supporting documents. The Assembly shall verify the validity of incorporation operations, their compliance with law, Company's Memorandum of Association and Articles of Association. It shall also review the relevant reports which may be submitted by the Ministry of Commerce & Industry in this regard, elect members for the Board of Directors, appoint the auditors and announce the final incorporation of the Company.

### **Article (38)**

Ordinary General Assembly shall be convened at least once a year by invitation from the Board of Directors within three months from the end of the Company's financial year. The Board of Directors may invite this Assembly whenever it deems appropriate or whenever so requested by a number of shareholders holding at least one tenth of the capital. The General Assembly may also be convened if so requested by the Ministry of Commerce & Industry.

### **Article (39)**

The ordinary General Assembly shall be competent to discuss all matters related to the Company's affairs except those reserved by the law or these Articles of Association for the Extra-Ordinary General Assembly or Constituent Assembly.

### **Article (40)**

The Board of Directors shall submit to the Ordinary General Assembly a report detailing the Company works progress, financial and economic condition, balance sheet, a statement of Profit & Losses account, a statement of the Board of Directors remunerations, Auditors fees and a proposal for the distribution of profits.

The Sharia'a Board shall also provide the ordinary General Assembly with a report containing their opinion about the extent of the Company's works compliance with the provisions of Islamic Sharia'a or any other relevant works.

### **Article (41)**

The Ordinary General Assembly shall discuss the Board of Directors' report and resolve as it deems appropriate, consider the auditors' report and the report of the Ministry of Commerce & Industry, if any, elect the members of the Board of Directors and appoint auditors for the coming fiscal year and fix their fees.



## Article (42)

Extra-Ordinary General Assembly shall be held by invitation from the Board of Directors, or upon the request of the shareholders holding no less than one-quarter of the Company's shares and in such case, the Board of Directors must call the General Assembly to convene within one month from the date of receiving the subject request.

## Article (43)

The following issues shall be decided only by the Extra-Ordinary General Assembly:

- 1- Amendment of the Company's Memorandum or Articles of Association.
- 2- Selling or otherwise disposing of the entire project undertaken by the Company.
- 3- Winding up the Company or amalgamating it with another Company or entity.
- 4- Increasing or reducing the capital of the Company.

Any amendment to the Company's Articles of Association shall not be valid unless it is approved by Ministry of Commerce & Industry. However, it is not permitted under any condition for the amendment, disposal, merger, joining or any other action shall not prejudice the Company's approach in connection with following provisions of the Islamic Shari'a.

## **C- Accounts of the Company**

### **Article (44)**

The Company shall have one or more auditors who shall be Chartered Accountants. Such auditor shall be appointed and his fees determined by the General Assembly. He shall audit the accounts of the financial year for which he has been appointed.

### **Article (45)**

The Company's financial year shall commence on First of January and end on the 31<sup>st</sup> of December every year except the first financial year of the Company which shall start from the date of announcing the final incorporation of the Company and shall end on 31<sup>st</sup> December of the next year.

### **Article (46)**

The auditor shall have the powers and obligations as stipulated in the Commercial Companies Law. In particular, he shall have the right to inspect, at any time, all Company's books, registers and documents and to require any data he deems necessary to have. He shall also have the right to verify the Company's assets and liabilities. If he could not exercise these powers, he should mention this in a written report to be submitted to the Board of Directors and presented to the General Assembly. He may invite the General Assembly to convene for this purpose.

### **Article (47)**

The auditor shall submit to the General Assembly a report showing whether the Balance Sheet and Profit & Losses accounts give a true and fair view of the actual financial position of the Company, whether the Company keeps regular accountings, whether an inventory has been duly carried out in accordance with the standard practices, whether the data appearing in the Board of Directors' report are consistent with the contents of the Company's books, whether any violations against the provisions of the Company's Articles of Association or the provisions of law had occurred during the fiscal year in a manner adversely affecting the Company's business or its financial position and whether such violations are continuing, based on information made available to him. The auditor shall be responsible for correctness of the statements contained in his report in his capacity as representative of all the shareholders. Each shareholder shall be entitled during the General Assembly to discuss with the auditor and to ask him for an explanation on any items contained in his report.

### **Article (48)**

A percentage of the gross profits as determined by the Board shall be deducted for the depreciation of the assets of the Company or compensation for the diminution of their value. Such money shall be used for purchasing or repairing the necessary articles, machines and structures and may not be distributed to the shareholders.

## Article (49)

Net profits shall be distributed in the following manner:

- 1<sup>st</sup>. : Ten percent (10%) shall be deducted and allocated to statutory reserve account. The General Assembly may discontinue this deduction if the statutory reserve account exceeded half of the Company's capital.
- 2<sup>nd</sup>. : One percent (1%) shall be deducted and allocation for the account of Kuwait Foundation for the Advancement of Science.
- 3<sup>rd</sup>.: A percentage shall be deducted and allocated for the voluntary reserve account as proposed by the Board of Directors and agreed by the General Assembly. Such deduction shall be stopped by a decision from General Assembly upon a proposal by the Board of Directors.
- 4<sup>th</sup>. : A part of the profits shall be deducted upon the proposal of the Board of Directors and to be determined by the General Assembly to meet the obligations arising on the Company under the Labour Laws and these funds may not be distributed on the shareholders.
- 5<sup>th</sup>. : The necessary amount shall be deducted for distribution of first share of profits of five percent (5%) to the shareholders as fixed by the Board of Directors and approved by the General Assembly.
- 6<sup>th</sup>.: In addition to the foregoing, an amount to be determined by the ordinary General Assembly shall be deducted provided that it shall not exceed 10% (ten percent) out of the balance and to be allocated for the remunerations of the Board of Directors.
- 7<sup>th</sup>.: The remaining balance of the profits shall be distributed to the shareholders as additional share in profits or carried forward to the following year under a proposal by the Board of Directors, or allocated for establishing extra-ordinary general reserve fund or depreciation fund.

### **Article (50)**

Profit share shall be distributed to the shareholders at the venue and date fixed by the Board of Directors.

### **Article (51)**

Reserve fund shall be used upon a resolution by the Board of Directors in the areas that best serve the interest of the Company. The statutory reserve fund may not be distributed to the shareholders, but may be used to secure the distribution of profits up to 5% (five percent) to the shareholders in the years in which the Company's profits do not secure such limit. If the statutory reserve fund exceeds half of the Company capital, it may decide to utilize the portion exceeding this limit in the manners it deems appropriate for the Company's and the shareholders interest.

### **Article (52)**

The Company's cash funds shall be deposited with one or several banks as determined by the Board of Directors. The Board of Directors will determine the maximum cash amount the cashier may keep in the Company's treasury.