

Date: 29/12/2010  
Ref: UDC/253/2010

Mr. Nasser Ahmed Al-Shaibi  
Chief Executive Officer  
Qatar Exchange  
Doha - Qatar

Greetings

### **Subject: Corporate Governance Report**

Reference to the above subject, the requirements of the Code of Corporate Governance for listed companies supervised by Qatar Financial Markets Authority, and in response to your letter no. Q.A./015/02/2010 regarding the same subject, United Development Company (UDC) summarizes its Corporate Governance Report as follows:

As a public listed company with a strategic vision of comprehensive development and excellence, UDC, since the date of incorporation, has always adopted a policy of complete separation between the Chairman's and the executive Managing Director's posts. This policy stems from UDC's confidence in the essential roles of the Chairman and the Board of Directors in monitoring the executive performance represented by the Managing Director. And as such, this separation was maintained to ensure that these roles remain strong by not merging the two posts and appointing the Chairman as an executive and as a supervisor at the same time. Building on this principle, UDC's Board of Directors has held a meeting on 23/02/2010 following the General Assembly Meeting, and has elected Mr. Hussein Ibrahim AlFardan as Chairman, and Mr. Khalil Sholy as Managing Director/President of the company.

And in further compliance with the Corporate Governance regulations, the UDC's Board of Directors has issued its Board of Directors Code on 10/06/2010. The Code marks our core governance rules and objectives, the code of conduct, the guidelines identifying the duties of the board, as well as indicators to assist the Board of Directors in fulfilling its responsibilities. Additionally, the Code aims at developing criteria that promote further transparency while avoiding complications and redundancy. This will allow for the realization of UDC's objective of development-through-practice - a realistic approach that seeks the achievable, and that adheres to wording of the law. (Enclosed herewith a copy of the Board of Directors Code).

Additionally, the Board of Directors has issued a series of resolutions to establish a number of Corporate Governance Committees, in line with the Corporate Governance Code issued by the Qatar Financial Markets Authority. Thus, the Board of Directors has resolved on 10/06/2010 to establish the following committees:-

#### **A. The Nomination Committee:-**

Members of the Board of Directors have deliberated and resolved to form a Nomination Committee comprising of the following Board Members:

1. H.E. Sheikh Ahmed Bin Nasser Bin Faleh Al Thani
2. Mr. Khalifa Abdulla Turki Al-Subai
3. Mr. Abdulrahman Abdullah Abdulghani
4. Mr. Omar Hussain AlFardan

The Committee's scope of work was defined in a separate charter, and UDC is circulating this charter to clarify the Committee's authorities and responsibilities. (Enclosed herewith a copy of the Nomination Committee Charter).

#### **B. The Remuneration Committee:-**

Members of the Board of Directors have deliberated and resolved to form a Nomination Committee comprising of the following Board Members:

1. H.E. Abdul Rahman Bin Hamad Al-Attiyah
2. Mr. Mohammed Hamad Abdulla Almana
3. Mr. Abdulrahman Abdullah Abdulghani Nasser
4. Mr. Omar Hussain AlFardan

The Committee's scope of work was defined in a separate charter, and UDC is circulating this charter to clarify the Committee's authorities and responsibilities. (Enclosed herewith a copy of the Remuneration Committee Charter).

#### **C. The Audit Committee:-**

Members of the Board of Directors have deliberated and resolved to form a Nomination Committee comprising of the following Board Members:

1. H.E. Abdul Rahman Bin Hamad Al-Attiyah
2. H.E. Sheikh Ahmed Bin Nasser Bin Faleh Al Thani
3. Mr. Omar Hussain AlFardan

The committee's scope of work was defined in a separate charter, and UDC is circulating this charter to clarify the Committee's authorities and responsibilities. (Enclosed herewith a copy of the Audit Committee Charter).

It is perhaps worth noting that UDC, long before the issuance of the Corporate Governance Code, has formed an Executive Committee to fulfill both monitoring and supervisory roles. In addition to establishing the above committees, UDC has formed another follow-up Committee and equipped it with specialized functions to maintain a health work rhythm, which reflects the company's awareness of the essential value of these Committees and their role in developing and improving the overall performance of the company, in order to achieve its strategic objectives.

It is well-known that UDC Board of Directors, from which the above committees have emerged, is composed of the following Board Members:-

Mr. Hussain Ibrahim Alfardan

Chairman

H.E. Abdulla Bin Khalifa Al-Attiyah

Deputy Chairman

H.E. Abdul Rahman Bin Hamad Al-Attiyah

H.E. Sheikh Ahmed Bin Nasser Bin Faleh Al Thani

Mr. Khalifa Abdulla Turki Al-Subai

Mr. Mohammed Hamad Abdulla Almana

Mr. Omar Hussain Alfardan

Mr. Abdulrahman Abdullah Abdulghani

Mr. Khalil P. Sholy

Managing Director

The Board of Directors convenes on a regular basis. In the financial year 2009, the Board held a total of 6 meetings, and as of the date of this report, the Board held a total of six meetings for the year 2010, while the seventh meeting for this year was scheduled in August 2010. This reflects UDC's commitment to the provisions of Qatar's Commercial Companies Law, as well as the Company's awareness of the vital role the Board of Directors is playing. Furthermore, it is noteworthy that the Board of Directors follows a strict policy of non involvement of its Members and related parties in any transaction or deal of any nature with the Company, with taking all necessary precautions prohibiting any concerned Board Member to participate in the related discussions or voting, as well as presenting such cases during the General Assembly Meeting.

Based on the above, -in the absence of independent Members- all Executive and Non-executive Members of the Board of Directors are considered active members in the Committees emerging from the Board, in accordance with the requirements of the Corporate Governance Code. Non-executive Members are to become part of the required Committees as per the Corporate Governance Code, while executive Members and Members in Offices are to become part of the Executive and the Follow-up Committees. In addition to that, Members of the Board shall work within the scope of the powers vested in them by virtue of the charters of each of the Committees enclosed with this report, or any powers vested in them by the Board. It is worth mentioning that all Members of the Board do attend, and actively participate, in all Board meetings. In the case when a Member is not able to attend, the practice is to send a proxy accompanied by a written regret explaining the reason for his absence. Additionally, the policy of the Board of Directors is to present the minutes of each meeting to all Members for their review and approval at the beginning of the subsequent meeting. The remunerations for Members of the Board and the Executive Management is substantially performance-based and aligned with the Company's vision, values and overall business objectives, taking into account the incentive factor aimed at improving performance and ensuring growth, as part of the overall performance of the company, and in line with the principle of collective responsibility of the company's management.

The General Assembly of the Company held on 23/02/2010 has appointed "KPMG" as External Auditors. As of the date of the semi-annual Financial Statements for the year 2010, no financial violations of any kind were recorded whether by the Department of Internal Audit or by the External Auditor. It has been clearly established that the Company is taking all necessary measures in accordance with international accounting standards. Furthermore, the Company manages its risks by means of coordination and successful cooperation between all concerned departments such as Finance, Legal and Internal Audit, as well as the Insurance and Risk Management Department. This has been executed under the direct supervision of the Board of Directors and its elected Committees, particularly the Audit Committee carrying out its functions in line with provisions of its Charter annexed to this report.

UDC implements its financial and accounting functions in accordance with International Financial Reporting Standards (IFRS), and those applied in the State of Qatar. The Company successfully runs its financial procedures via advanced Oracle and ERP systems with an Authorization Matrix. The company also classifies each transaction for any related party in accordance with the requirements, and presents all investment proposals to the Board of Directors to take the necessary actions. An Internal Audit system has been designed to prevent and detect any error, while the Company applies a budgeting system that runs in coordination with all concerned departments.

A team of executive management professionals is also available to offer advice to the Board of Directors and the Managing Director/President regarding any investment opportunity, while the Tender Committee is involved in processing important contracts. In assessing financial risks, the Company also takes into account any possible false statement based on fraud, and reports any such fraud or false statement internally and externally in conformity with the rules and regulations. The Board of Directors, in cooperation with the Finance Department, analyzes the financial risks on a regular basis to tackle risky and unexpected changes in the market. In addition to that, the Internal Audit Department carries out its duties according to the Company's strategy under the supervision of the Audit Committee and the Board of Directors. To reinforce all the above, the Company prides itself for its strict adherence to all disclosure rules, and has therefore delegated its General Counsel the responsibility to follow-up and communicate with the competent bodies, as well as establishing an Insurance and Risk Management Department.

UDC has demonstrated full compliance with the disclosure rules, and constantly exhibited high levels of transparency in its relation with Qatar Exchange. Additionally the Company allows its shareholders access to information within the limits set by the law, and encourages its employees to report suspicious transactions under the protection of the Board of Directors via adopting an open door policy. Moreover, the Company's Articles of Association allow shareholders holding a certain percentage of shares, the right to call for convening the Ordinary General Meeting of the company.

The foregoing briefly summarizes the recent measures adopted by UDC with respect to the Code of Corporate Governance for listed companies under the supervision of Qatar Financial Markets Authority. The above clearly demonstrates UDC's dedication to complying with the Code of Corporate Governance, which is undoubtedly an ongoing commitment of a sustainable and progressive nature that reflects the

continuous cooperation between the Company and Qatar Financial Markets Authority.

Yours sincerely,

Hussein Ibrahim AlFardan

Chairman

## **Board of Directors Code**

Pursuant to the corporate governance regulations issued by the Qatar Financial Markets Authority, and in order to enhance the company's efficiency and achieve its long term goals and vision, the United Development Company 's Board of Directors has adopted the below ***Code of Conduct***, that was set forth to achieve the following objectives:

1. Adopting a set of guidelines and values to ensure good governance of the company's activities.
2. Setting proper codes of conduct, raising the standards and organizing responsibilities of the Members of the Board, via a set of guidelines that regulate their work.
3. Providing Members of the Board with guidelines to assist them in fulfilling their duties in the company.
4. Outlining a framework for all activities of the Members of the Board, and filling all regulatory gaps to facilitate their work.
5. Implementing adequate standards to promote transparency and involve the community in conceptualizing the work mechanisms of the Boards of Directors in public shareholding companies.

Taking the above objectives into account, the Board of Directors has resolved to issue the ***Board of Directors Code of Conduct***, the text of which is detailed below:

### **Article 1:**

The above preamble and objectives are an integral part of the Code.

### **Article 2:**

The Members of the Board shall have all the knowledge, skills, and information necessary to manage the company, and shall improve their skills through observation and practice and employ their own experience to the benefit of the company.

### **Article 3:**

The Members of the Board shall expend all necessary efforts to protect the interests of the company, and shall act in good faith and have the duty of being loyal to the company and its shareholders. They shall be observant to all functions set forth to achieve the objectives of the company, and shall give preference to the interests of the company and its shareholders over their own interests.

### **Article 4:**

The Members of the Board shall be responsible for maintaining the professional secrecy of all the confidential and sensitive information to which they have access, and shall refrain from disclosing any such information unless authorized by the Board, or as stipulated by the disclosure laws and regulations.

#### **Article 5:**

Members of the Board shall provide their inputs on all matters presented for discussion before the Board in a professional and independent manner, whilst putting the company's interest as their first and main objective.

#### **Article 6:**

The Members of the Board shall be available for, and regularly attend, and actively participate in Board meetings and Shareholders' Assembly meetings, and shall not be absent unless for compelling events and sensible reasons, provided that they present a written apology explaining the reason for their absence.

#### **Article 7**

7-1 The Board of Directors may resolve to pay bonus remuneration to the Members for attending Board meetings, while taking into account the level of contribution and efficiency of each Director, the time and efforts he/she expends in serving the Company and the material and non-material benefits resulted from such efforts, in addition to his/her overall availability and attendance record.

7-2 The Board of Directors may appoint some experts as permanent executives to utilize their expertise, let them attend the Board meetings and fix their remunerations.

#### **Article 8**

On identifying the duties of the Members of the Board, the following guidelines shall be taken into account:

- a. Each Director shall act in good faith and exercise the same care that is supposed to be exercised by any ordinary person to protect his own monies in the view of similar circumstances and to work to achieve the interest of the company.
- b. The Director of the Board shall take all the appropriate steps to become fully cognizant of all the relevant matters, including working in full diligence such as seeking the counsel of external independent experts, if necessary, and taking independent knowledgeable decisions on voting on matters related to the company.
- c. The Director of the Board shall commit to all the rules, regulations and contracts of the company.
- d. The Director of the Board shall commit to work in the best interests of all shareholders of the company in a responsible manner, and shall not differentiate between shareholders.
- e. Each Director of the Board shall peruse the structure of the company and its management and all the information that enable the Members of the Board undertake their responsibilities.

#### **Article 9**

The Members of the Board shall have the duty of being loyal to the company and its shareholders. Such trust duty requires the Members of the Board to give preference to the interest of the company and its shareholders over their own interests and always act in good faith.

In addition to compliance with the procedures and guidelines related to the related parties' transactions and in implementation of this duty, all the Members of the Board shall refrain from:

- a. Dealing in their accounts when the relevant Director of the Board or the Members of his family or his partners or any other party who has close relation with him have financial interest in the company.
- b. Taking possession of an opportunity that is a right of the company, except when such opportunity was offered first to the company and the latter declined it.
- c. Apparent and actual conflict of interest and in the event of conflict of interest that relates to the Director of the Board, such Director shall fully disclose this conflict and abstain from voting on it or attending the meeting when conflict of interest issues were raised for voting by the Board of Directors.
- d. Any work that leads to granting preferential personal loan when similar loans or similar conditions are not granted to public,
- e. Any work considered as insider party transaction, or any disclosure in illegitimate manner of confidential information related to the company.
- f. Any work or deal that does not comply with the relevant laws and regulations.

#### **Article 10**

The Members of the Board shall work within the scope of the powers vested in them by virtue of Articles of Association and directives of the Board of Directors duly issued and in accordance with the relevant resolutions of the shareholders, laws and regulations. The Members of the Board who act out of the limits of their power shall bear the liability towards the losses, incurred by the company as a consequence of violating the regulations.

#### **Article 11**

The Members of the Board shall endeavor to protect all the company's assets and properties, and ensure their proper and efficient use for the benefit of the company.

#### **Article 12**

Members of the Board shall create a work environment that is incentive-oriented and that encourages professionalism and fair competition for the benefit of the company.

#### **Article 13**

The Members of the Board shall keep proper books of the accounts, and those books shall remain accurate, organized and compliant with due accounting standards, and with the financial policy of the company.

#### **Article 14**

Should any of the Members of the Board retire, or leave his post for any reason, he shall return all papers and documents pertaining to the company, that were in his possession in the process of fulfilling the duties assigned to him by the company.

However, returning the above mentioned documents and papers does not relieve the Member from his liability towards the confidentiality of the information related to his duties.

**Article 15**

No part of this code may be modified without the written resolution of the Board of Directors.

**Article 16**

This Code comes into effect as of the day of its issuance, and shall be released to the public.

Issued by virtue of the resolution of the  
Board of Directors No..... /2010

Date: 10/06/2010

## **Nomination Committee Charter**

### **(1) Definitions:-**

For the purpose of this Charter the following terms shall have the opposite meaning:-

- a. Board means the Board of Directors of United Development Company.
- b. Company means United Development Company “UDC” and its fully owned subsidiaries.
- c. Directors mean the members of the Board.
- d. Nomination Committee means the Nomination Committee established by the resolution of the Board in accordance with the terms stipulated herein.
- e. Shareholders mean the shareholders of the Company.
- f. Code means The Corporate Governance Code issued by the Qatar Financial Markets Authority “QFMA”.

### **(2) Constitution:-**

The Board has resolved to establish a committee of the Board to be known as the Nomination Committee.

### **(3) Purpose:-**

The purpose of the Nomination Committee of the Board is to assist the Board for leading the annual review of the Board’s performance, identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the relevant Annual General Meeting of shareholders.

### **(4) Membership:-**

The members of the Nomination Committee shall be from time to time appointed by the Board and shall consist of not less than three members. A quorum shall be two members out of three, or three out of four.

### **(5) Frequency and conduct of meeting:-**

a. The Committee shall meet as and when necessary or as requested by any member of the Nomination Committee. The Committee shall meet two months before the Annual General Meeting to finalize the nomination of the Board of Directors members.

b. An Agenda and accompanying papers should be sent in full to all members of the Committee in a timely manner before the intended date of meeting of the Nomination Committee.

(6) **Mandate:-**

The Nomination Committee shall:-

- a. Review, from time to time, the size and composition of the Board with a view to be satisfied that the Board has an appropriate mix of competencies and skills to facilitate effective decision-making, as well as the capacity to effectively discharge its duties and responsibilities. In case the number of the members of the Board of Directors needs to be adjusted, the Committee shall recommend to the Board to initiate the required procedures for such adjustment including the amendment of the Articles of Association.
- b. Develop and maintain appropriate criteria, including competencies and skills, for the Board as a whole and for potential candidates for the Board and identify and maintain a list of suitable potential candidates for the Board.
- c. Review and be satisfied that the Company has an effective orientation and/or education program for new directors.
- d. Be satisfied that all prospective directors fully understand the duties, responsibilities and roles of the Board and its committees, and the contributions that individual directors are expected to make, including, the commitment of time and energy that the Company expects of its directors.
- e. Conducting an annual self assessment of the Board performance.
- f. Exercise such other powers, authorities and discretions, and perform such other duties in relation to the nomination of directors as the Board may from time to time delegate to it.

(7) **Authority:-**

The Nomination Committee may obtain external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Nomination Committee should be responsible for establishing the selection criteria for any external nomination consultant who advises the Nomination Committee.

(8) Guidelines for the Nomination of Board Members:-

In nominating the prospective Board members the Nomination Committee should adopt the guidelines stipulated as an annex to the Code to evaluate the Fit and Suitability. Specifically, it should adhere to the following:-

**a. Evaluation of Fitness (Financial Status):**

The Nomination Committee is not likely to be satisfied that a person is a fit person if that person:

**1- In the case of a natural person:**

- A. Is a bankrupt or financially insolvent and has not been discharged, or is currently subject to bankruptcy proceedings or is a bankrupt who has been discharged within the previous (3) years.
- B. In considering whether to nominate a bankrupt person who has been discharged, the Nomination Committee would have regard to the circumstances of the discharge and whether the date of the discharge was recent.
- C. The Nomination Committee should have regard to the circumstances of the failure to meet a debt judgment and whether a person has been associated with entity that become insolvent, went into administration, was under control of a Court appointed liquidator or otherwise failed to meet its financial obligations to creditors or beneficiaries, such person's competence, honesty and integrity may be brought into question.

**b. In case of a legal person:**

- A. Is subject to receivership, administration, liquidation or other similar proceedings.
- B. Has failed to meet any judgment debt.

These requirements are aimed at identifying companies of dubious financial status or solvency. As with the same requirements in respect of individuals, the Nomination Committee would have regard to the circumstances of the failure to meet a debt judgment.

- C. Is unable to meet any capital requirement applicable to it.
- D. Is unable to meet any of the financial regulatory requirements applicable to it.

**c. Evaluation of Suitability:**

Properness is assessed with reference to the person's industry qualifications together with relevant experience. Persons should have the skills, knowledge and professionalism necessary to perform their duties. The level of knowledge expected varies according to the level of responsibility. Persons are generally expected to be able to display an understanding of:

1. The general structure of the regulatory framework that applies to the Company's proposed activities.
2. The legislations, laws, principles and supervisory rules specific to stock markets.
3. The obligations owed to clients and the general obligations owed to their principals or employers.
4. The financial products they deal in or advise upon and the market in which the service is provided.

**d. Reputation, character, reliability and financial integrity:**

The Nomination Committee is not likely to be satisfied that a person is proper if that person:

**1- In case of a natural person:**

- A. Has a poor reputation, or is not trustworthy or lacking in financial solvency.

- B. Convicted by a court or other competent authority for fraud, dishonesty or breach of law.
- C. Is convicted of a criminal offence or subject of unresolved criminal charges which are of direct relevance to properness.
- D. Censured, disciplined or disqualified by any professional or regulatory body in relation to any trade, business or profession.
- E. Refused or restricted from the right to carry on any trade, business or profession for which specific license, registration or other authorization is required by law.
- F. Disqualified by a court of competent jurisdiction from being a Board Member.
- G. Found guilty of market misconduct by QFMA or another regulatory body, or failed to comply with any codes and guidelines promulgated by QFMA, or other regulators or any relevant exchanges in Qatar or overseas (if applicable).
- H. A Board Member, substantial shareholder, or manager of a company or business that:
  - 1. Was wound up (otherwise than a voluntary dissolution unrelated to solvency) or was otherwise insolvent or had a receiver or administrator appointed.
  - 2. Was found guilty of fraud.
  - 3. Has not met all obligations to clients, compensation funds established for the protection of investors, or inter-member guarantee funds.
  - 4. Has been found to have committed the acts described in (B) or (C) or (D) or (E) or (F) above.
- I. Has been a party to an insolvency arrangement or entered into any form of compromise with a creditor involving a considerable amount.

**2- In case of a legal person:**

- A. Was found to be of poor reputation or reliability, or lacking in financial integrity.
- B. Has been served with a winding up petition.

**(9) Reporting procedures:-**

- a. Minutes of the Nomination Committee's meeting shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary).
- b. The Nomination Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations.

**(10) Terms Available:-**

The Nomination Committee shall make available the terms of this charter on request and by inclusion on the Company's website, thereby explaining its role and the authority delegated to it by the Board.

## Remuneration Committee Charter

### **1. Introduction:-**

1-1 The Remuneration Committee is a committee of the Board of Directors of United Development Company "UDC" (Company).

1-2 The Board of Directors established the Remuneration Committee under Article "16" of the Corporate Governance Code issued by Qatar Financial Markets Authority.

1-3 This charter set out the scope of the Remuneration Committee's responsibilities in relation to the Company.

1-4 The role of the Remuneration Committee is not an executive one.

### **2. Objectives:-**

The objectives of UDC Remuneration Committee are to assist the Board of Directors in fulfilling its corporate governance in regard to:

- a. Remuneration policies for the Chairman and the directors.
- b. Remuneration policies for the EVPs, General Managers, General Counsel and Executive Management.
- c. Other matters referred to the Committee by the Board of Directors.

### **3. Membership:-**

3-1 The Committee is appointed by the Board of Directors in accordance with Article "16-1" of the Corporate Governance Code.

3-2 The Committee is to consist of:-

- a. At least three members of the Board of Directors.
- b. Only Non-Executive Directors.
- c. A majority of independent Non-Executive Directors.
- d. The Company Secretary may attend all Committee meetings to ensure minutes are taken of the meetings.

### **4. Meetings:-**

4-1 The Committee is to meet as requested by its Chairman.

4-2 The quorum for the Committee is two out of three, or three out of four.

4-3 The EVPs and General Managers are to attend such portion of meetings as requested by the Committee.

4-4 The remuneration Committee must keep minutes of its meetings.

4-5 Minutes must be distributed to all Remuneration Committee members and to be signed by all of them.

#### **5. Remuneration Policies and Practices:-**

5-1 Executives remuneration and incentives policies and practices must be substantially performance based and aligned with the Company's vision, values and overall business objectives. It is partially based on fixed remuneration.

5-2 Executive remuneration and incentives policies and practices must be designed to:

- a. Motivate the directors and management to pursue the Company's long term growth and success; and
- b. Demonstrate a clear relationship between the Company's overall performance and performance of the executives, taking into consideration other remunerations.

#### **6. Remuneration:-**

6-1 In performing its responsibilities in relation to remuneration, the Remuneration Committee must give appropriate consideration to the Company's performance and objectives, employment conditions and remuneration relativities.

6-2 The Remuneration Committee is responsible for:

- a. Reviewing, approving and recommending to Board of Directors for adoption of executive remuneration and incentive policies and practices.
- b. Annually considering, approving and recommending to the Board of Directors each executive director's total remuneration, having regard to executive remuneration and incentive policies.
- c. Reviewing the remuneration of non-executive directors for serving on the Board of Directors or any committee (both individually and in total).
- d. Approving and recommending to the Board for the adoption the design of any executive incentive plan.
- e. Preparing for approval by the Board of Directors any report on executive remuneration and reporting regularly on those matters.

#### **7. Access to information and independent advice:-**

7-1 The Remuneration Committee may seek any information it considers necessary to fulfill its responsibilities.

7-2 The Remuneration Committee has access to management and may seek explanations and information from management.

7-3 The Remuneration Committee may seek professional advice from employees of the Company and from appropriate external advisers, at the Company's cost.

**8. Reporting:-**

The Remuneration Committee chairperson must report the Remuneration Committee findings to the Board of Directors.

**9. Committee Performance:-**

To determine whether it is functioning effectively, once each year the Committee shall:

- a. Review this charter; and
- b. Undertake an evaluation of its performance.

**10. Review and Changes to this charter:-**

The Remuneration Committee will review this charter annually or as often as it considers necessary.

This charter must be approved by the General Assembly of the shareholders of the Company and then made available to the public in accordance with Article "16-4" of the Corporate Governance Code.

Issued by the Remuneration Committee of the United Development Company on /6/2010

# Audit Committee Charter

## A. PURPOSE

The main purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to the: integrity of the company's financial statements, the company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the company's internal audit function and independent auditors.

## B. AUTHORITY

The Committee is empowered to:

1. Supervise the work of the external auditor employed by the organization to conduct the annual audit and follow up on their independence and objectivity;
2. Adopt a set of general guidelines for appointing the external auditors;
3. Seek the counsel, at the expense of the Company, of any independent expert or consultant;
4. Resolve any disagreements between management and the auditor regarding financial reporting;
5. Seek all information it requires to discharge its duties;
6. Meet with external auditors or outside counsel, as necessary;
7. Participate in appointing and dismissal of the person leading the internal audit function in the Company.

## C. RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

### 1. Financial Reporting Process and External Audit of Financial Statements

- 1.1 Adopt a set of general guidelines for appointing the external auditors and to report to the Board of Directors any matter that, in the opinion of Audit Committee, requires action.
- 1.2 Review the contract for appointing the external auditor, its work plan and any other significant enquires that he might require from the senior management of the company in respect with the accounting records, financial accounts or control systems.
- 1.3 Supervise and follow up the independence and objectivity of the external auditors and discuss with them about the nature of the audit, its effectiveness and scope according to the International Auditing Standards and International Financial Reporting Standards.

- 1.4 Oversee the accuracy and correctness of the financial statements, annual, semi annual and quarterly reports and review these statements and reports. Focus shall be on the following in particular:
  - 1.4.1 Any changes in the accounting policies and the applications/practices relevant to the account;
  - 1.4.2 The aspects subject to discretionary judgments made by senior executive management;
  - 1.4.3 Essential adjustments resulting from audit;
  - 1.4.4 Going concern and continuing business successfully;
  - 1.4.5 Compliance with the accounting standards;
  - 1.4.6 Compliance with rules of listing in the 'market';
  - 1.4.7 Compliance with the disclosure rules and other requirements pertaining to the preparation of the financial reporting.
- 1.5 Coordinate with the Board of Directors and financial controller of the company or the person who undertakes his duties and meeting the external auditors once at least in the year.
- 1.6 Study any significant and extraordinary issues included or will be embedded in the financial reports and accounts and scrutinize any issues raised by the financial controller of the company or the person who undertakes his duties or compliance officer or the external auditors.
- 1.7 Provide the prompt reply to the Board of Directors on inquiries and issues raised in the letters or reports of the external auditors.
- 1.8 Resolve any disagreements between management, the external auditor and/or the internal auditor regarding financial reporting.
- 1.9 Review the financial and accounting policies and procedures.
- 1.10 Ensure coordination between the internal and external auditors.

## **2. System of Internal Control**

- 2.1 Review the financial and internal control systems.
- 2.2 Discuss the internal control system with the management and ensure that the management performs its duties towards developing effective internal control systems.
- 2.3 Review the findings of the essential investigations in the internal control issues vested by the Board of Directors.

## **3. Internal Audit Process**

- 3.1 Oversee the work internal audit unit.
- 3.2 Review with management and the person leading internal audit unit: charter, plans, activities, staffing, and organizational structure of the internal audit function.
- 3.3 Ensure that internal audit unit has no unjustified restrictions or limitations to access company's data and personnel.

3.4 Discuss, when required, the internal control system with Chief Internal Auditor.

3.5 Assure and maintain, through the organizational structure of UDC and by other means, the independence of the internal audit process.

**4. UDC's Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy**

4.1 Supervise the compliance of the company with the professional conduct rules.

4.2 Ensure that the work rules related to these duties and powers as delegated by the Board of Directors are applied appropriately.

**5. Whistleblower Mechanism**

5.1 Develop rules through which the employees of the company could inform confidentially about their doubts about certain matters that may give rise to suspicion in the financial reports, internal control or any other matter and ensure the existence of appropriate arrangements that allow conducting an independent and fair investigation about these issues.

5.2 Study any matter identified by the Board of Directors.

**6. Audit Committee Reporting Responsibilities**

6.1 Regularly report to the Board of Directors about all Audit Committee activities, issues, and related recommendations.

6.2 Periodically review and assess the adequacy of the Audit Committee Charter, requesting Board of Directors' approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

6.3 Provide the prompt replay to the Board of Directors on inquires and issues raised in the letters of the external auditors.

6.4 If requested, submit reports to the Board of Directors on issues stipulated in that Charter.

**7. Comprehensive Communication Responsibility**

7.1 Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, and the Board of Directors.

**D. COMPOSITION**

The members of the Audit Committee shall be from time to time appointed by the Board and shall consist of not less than three members. A quorum shall be two members.

Any person who is or has been employed by the Company's external auditors within the past 2 years may not be member of the Audit Committee.

#### **E. MEETINGS**

The Audit Committee will meet as needed and regularly at least once every three months and shall keep minutes of its meetings. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs and practices.

The committee might invite external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Issued by the Audit Committee of the United Development Company on /6/2010