Outline on the New Governance Rules for Board of Directors in Public Joint Stock Co. in the UAE

Sources:

- SCA Resolution No. 7/R.M issued on 28 April 2016 (New Rules)
- New Federal Law No. 2 of 2015 on Commercial Companies (CCL)
- Former Ministerial Resolution No. 518 of 2009 concerning Governance Rules (Former Rules).

The New Rules set out some new governance obligations for the board of directors (BoD) and the directors of public JSC which may inspire their counterparts of the private sector. The main issues are the following:

Government representative in the BoD

The New Rules in line with article 148 of the CCL provide that the Government may appoint directors pro rata its shareholding and if the Government holds at least 5 % of the equity capital, or if the shareholding is lower than the percentage required for electing such a director, the Government is anyhow entitled to appoint at least one director.

Independency of the directors

The New Rules have introduced new conditions such as the absence of any transaction between the director and the company (for an amount of AED 5M or 5% of the capital) for at least a period of 2 years preceding the appointment unless made on an arms' length basis or such as the fact that the director has not hold any position in the executive management of the company during the last 2 years preceding his/her application to become director.It is up to the concerned director to inform the BoD of any potential conflicts to allow the BoD to decide on his/her situation.Specific mention must be provided in the Corporate Governance Report in relation to independency of the directors.You can read the full article here in PDF:
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