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FAMILY GOVERNANCE

—
Sample Family Constitution





TABLE OF CONTENTS

1.	Forward	03
2.	Ownership Structure	08
3.	Shareholders' Council	17
4.	Management Board	22
5.	Family Talent Policy	28
6.	Rules on Ownership Transfer	34
7.	Conflict Resolution Committee	38
8.	Family Council	40
9.	Family Office	44
	Family Charity Committee	45
	Dividend Policy	47
	Confidentiality/Code Of Conduct	48

01

FORWARD





Forward

The Family Constitution (hereafter referred to as 'Document') is designed to serve as a cornerstone in the collective effort to build sustainable, prosperous, and harmonious family businesses. This Document embarks on a comprehensive exploration of the vital elements and structures contributing to the ongoing success and longevity of family businesses across the board.

This Document unravels the intricate constitutions that makeup Family Business Governance Mechanisms, recognizing the unique challenges and complexities that arise when family and business worlds intersect.

Within this guide, you will find examples of practices for effective governance ranging from defining roles and setting meeting frequencies to determining term lengths and eligibility criteria for governance groups. Consider these elements as the foundational building blocks that will fortify the structure of any family enterprise, ensuring its success and sustainability across generations.

Beyond guidelines, this Document introduces you to governing practices specifically tailored for family businesses. You will also gain insights into specialized Family Committees, designed to nurture unity, ensure continuity, and contribute to the enduring success of the enterprise.

The knowledge and insights encapsulated in this Document are intended to empower both families and businesses with robust governance frameworks vital for long term success. As you navigate the often complex terrain of family business governance, this Document aims to serve as your compass, steering you effectively through challenges and complexities.

This Document is intended to be used for informational and guiding purposes only. It should not be considered professional legal, financial, or management advice. Before making any significant decisions based on this Document, consult appropriate professionals such as legal advisors, financial consultants, and experienced family business consultants.

The development of family business constitution is not merely a task but an ongoing conversation that necessitates clear communication, mutual understanding,

and agreement from all involved parties. It is through these interactive discussions that families can address their unique needs, objectives, and challenges.

To facilitate the effective development of the constitution, a variety of professional approaches are deemed essential. These encompass periodic family business workshops, quarterly evaluation sessions, ongoing and structured family constitution roundtable discussions, periodical family constitution review retreats, the establishment of family constitution working groups, and regular progress meetings at defined intervals. These avenues collectively contribute to fostering a structured and continuous dialogue, thus promoting the successful development of family business constitution.

Consequently, the process of establishing the constitution becomes as critical as the rules and guidelines themselves. This dialogue acts as the think tank where raw ideas are refined into the principles that will govern the family business. It's this very process that fosters trust, ensures alignment, and ultimately serves as the bedrock of a harmonious and successful family enterprise.

The Document suggests that family shareholders establish an entity, which could be an LLC, a Trust, Partnership, Holding Company or other available options, for the sole purpose of holding an interest in the family business. The choice of entity should be carefully considered and tailored to the specific legal and financial circumstances of the family.

Where applicable, the Document contains specific recommendations in line with Shariah law. Always consult a qualified Shariah scholar for an authoritative opinion. The Document stipulates guidelines on who can or cannot be a shareholder (i.e., direct descendants, in laws, children, and stepchildren). The guidelines stipulated in this Document may need to be adjusted based on family consensus and legal advice.

While the Document provides a process for resolving conflicts, it does not serve as a replacement or alternative to a formal dispute resolution process or professional mediation.



Purpose and Vision of the Family Business (Family Philosophy)

The family is committed to preserve the legacy of the founders and ensuring the lasting success of the business for future generations. The purpose of this constitution is to pave the path for the future, building a shared commitment to the values and philosophies they embody. A unified purpose and vision is crucial for aligning and engaging family members, setting a clear direction and fostering loyalty, trust, and resilience within the family business.

The family philosophy is that the family members have special bonds and that they have created a family business that is exceptional, nonetheless, they realize that if the family business is to continue for generations to come then they must work hard at becoming a “business owning family”



A purpose and vision family philosophy document in a family business is crucial for aligning and engaging family members, setting a clear direction and fostering loyalty, trust, and resilience within the family business.

In this respect, the family strongly believes that we need to create something “if we are to succeed where other families have failed”. We aim to create the uniqueness which the family members desire in seeking to create something which is unique, all family members recognize that it requires each of us to live the values, philosophies, and ideals expressed within this constitution.

- Our strong desire is to retain the close family bonds which presently exist within the family such that all members continue to behave as one in leading a dynamic, growing, and profitable business

- In doing so, it is important that we respect the significant contribution of the first generation and the opportunities presented to the second generation's family members. In this respect we recognize that our desire is to:
 - Establish rules that are in the interests of all family members
 - Participate as responsible owners
 - Develop to our full personal potential
 - Ensure that the reputation of our Family Business is retained and further developed

- It is further the wish of the family to support and prepare the future generations to grow together under the same value system and to develop their business skills and present the right framework for their succession into the business or alternatively to have the opportunity to develop their own business interests

Family Values

The family recognizes the significant contribution made by the founders since the inception of the business, and the family members which to continue on their foot steps and ensure that the business continue to grow and prosper, it is their responsibility to maintain these contributions and to pass on the values upon which it was founded to the incoming generation.

These values can be summarized as follows:

- Honesty

- Commitment to business

- Reliability

- Leadership

- Giving back to the community





02

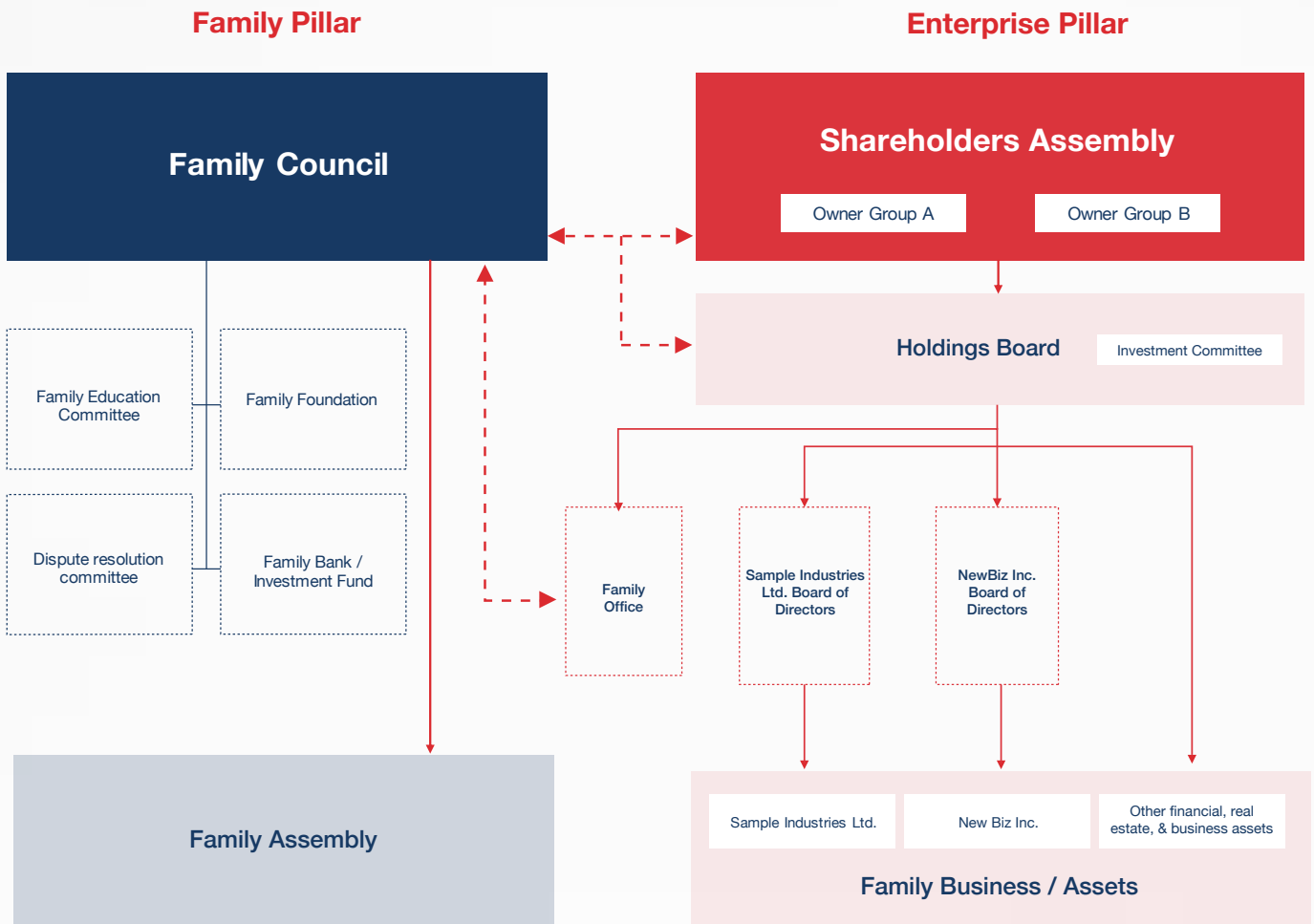
OWNERSHIP STRUCTURE





Ownership Structure (Illustrative)

PILLARS OF THE FAMILY GOVERNANCE STRUCTURES








Type Of Responsibility

Types of responsibility and decisions for the stakeholders

	Shareholding	Business	Family
Shareholder's Council	Approves the governance and the Constitution for the family shareholders	Approves annual reports, financial statements, acquisitions/disposals, additional capital, new business activities, appointment of auditors	Decision making on ownership issues within the family Effective implementation of process for resolving conflict within the family
Family Branch Assemblies (For future purposes if required)	Shareholders structure their ownership through these assemblies to hold their share in individual SPVs Represents each branch on the Shareholders' Council		
Holding Company Board		Reviews viability of new business proposition and ability of family member to deliver against any proposed business plan Approves any private investments by passive family members in external businesses, ensuring transparency and noncompetition	
Family Charity Committee	Seeks worthwhile charitable causes based on the Shareholders' Assembly charitable strategy Ensures Family Office support for managing Charity Committee –investing reserves, monitoring, ensuring payments to Charities	Checks proper application of funds Ensures proper accounts are provided to the Shareholders' Assembly for approval Brings in outside advisors, where required	

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	Shareholding	Business	Family
 Conflict Resolution Committee			<p>Handles unresolved differences and takes binding decisions</p> <p>Reviews fairness of process</p>
 Family Council			<p>Ensures all family members act as effective, dynamic and caring family ones, when it comes to family issues</p> <p>Ensures proper systems are in place for the younger generations' training, education, development and mentoring needs</p> <p>Encourages and supports new ideas from the family</p> <p>Provides training and arrange training courses for passive family shareholders on business skills</p> <p>Suggests and communicates ideas for charitable contributions to the Family Charitable Committee</p>
 Family Personnel Committee	Keeps the Shareholders' Council aware of all activities through reports through the Chairman of the Holding Company Board	<p>Ensures succession plans (with more than one successor)</p> <p>Challenges process of joining the company, promotion, termination or appraisal</p>	<p>Ensures review of future career plans of each family member in conjunction with the Human Resources Directors' recommendations</p> <p>Ensures consistency and fairness in issues of family members and makes ultimate decisions</p> <p>Ensures training/development of family members, offers career mentoring</p>

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	Shareholding	Business	Family
Family Office	Submits quarterly financial reports to the Chairman and a detailed report to every Shareholder’s Assembly meeting		<p>Provides skilled and dedicated resources to meet the needs of the family (both active and passive)</p> <p>Ensures Family Office support for various family committees: committee –investing reserves, monitoring, ensuring payments to charities and other service providers</p>





Definitions Agreed Upon By The Family



1. Bloodline family members are eligible to own shares.
2. Exceptions for setting up own businesses of family members can be granted by the Shareholder Council.





International Practices

Successful family business generally



1.
Put the interests of the business first



6.
Bring the family together to promote unity and keep members informed



2.
Have formal governance structures in place, which evolve gradually over time



7.
Involve a broad cross-section of family members in the governance effort



3.
Highlight the importance of values and ensure the values of the family and the business are aligned



8.
Create policies to protect the business from conflict of interest



4.
Establish clear rules for employment



9.
Establish a clear policy for dividend payout



5.
Educate and develop family members



Priorities Of The Family

- Pride in the family values and reputation of the business
- Importance of developing family members, particularly the second generation, to help them become future leaders
- Importance of keeping the family united by bringing the young generation together and keeping members informed
- Need to set clear policies for employment of family members in the business
- Need to protect the family name and avoid conflicts related to the business
- Need to clarify policies and mechanisms to own and transfer shares and manage dividends within the family





A Typical Shareholder Agreement

Description	
Overview	Rights and obligations of shareholders
Vision of the business	High level vision of the business Risk/return expectations
Governing bodies and processes	Division of responsibilities across SA, BoD and FC Appointment process for members of the BoD and FC Decision-making process in the SA and BoD
Share transfer and liquidity mechanisms	Eligibility for shareholding and mechanisms to restrict it Policy for buying/selling shares in the family Generational transfers: transferring nominal amount of shares to younger generation
Dividend policy	Dividend policy (e.g., dividend cap, trust to mitigate volatility, dedicated share to fund Family Council and philanthropic activities)
Key family related policies	Employment policy of family members in the business Business protection policy and use of business services policy Code of conduct policy for family members
Enforcement	Enforcement mechanisms and penalties; examples: to become shareholder, SA needs to be signed; buy back of shares in case of serious violation of SA; fines etc.

SA (shareholder Assembly), BoD (Board of Director), FC (Family Council)



03


SHAREHOLDERS' COUNCIL






Shareholders' Council


Membership: Individual Shareholders or representatives of Special Purpose Vehicle – formed by each of the current shareholders

Who can be a member? 

- Direct issue of the male shareholders
- Family members

Who can attend meetings? 

- Bloodline family members who are elected by Shareholders (or SPV's in the future)
- Professionals, if invited by the Chairman of the Council

Who cannot attend meetings? 


- Exiting Shareholders or their children, if they sell their entire shareholding
- In-laws of bloodline descendants


➤ Chairman of the Shareholders' Council

- Position:** The Founder (lifetime position)
Term of office: 4 years
Successor: Elected by shareholders
Assisted by: Shareholders' Council Secretary

Selected from one of the elected members of the Board of Directors or an elected bloodline family member from the Second generation



Voting 	
Type of vote	By reference to individual share ownership percentage or SPV share percentage of the members
Voting for ordinary decisions	By reference to a 60% majority of the shares in issue
Proxy votes	(Signed), accepted in the absence of any eligible family member Current chairman can receive unlimited proxies
Maximum number of proxies	1-2 proxies
Criteria for voting	Voting possible on items shown in agenda 100% eligible members should agree for any additions

Meetings 	
Frequency of meetings	Minimum of two meetings in a year One such is the Annual General Meeting (AGM)
Quorum	Members collectively have more than 75% of the total shareholding
Notice time	Minimum of eight weeks for meeting
Meeting location	To be normally convened in UAE
Requirement	Proper minutes of the meetings should be prepared






Special Resolutions

Description	% of shares
Electing the Chairman of the Shareholders Council	Elected male bloodline family member
Electing the Chairman of the Holding Company	Board election (51% majority)
Electing other directors to Board of the Holding Company	51%
Recommend that a member be excluded from attendance at Shareholders' Council meetings	75%
Approving of last partial sales of owned shares	75%
Removing the Chairman from Council or BoD	75%
Removing a Director from the Company Board	75%
Pledging family shares	100%
Selling the business to an outsider	90%
Selling a business unit to an outsider	75%
Agreeing IPO for the whole business	90%
Agreeing IPO for part of the business	75%
Appointment of a Chairman of BoD over the age of 70 years	75%

 To change any constitution regarded as a special resolution, a majority vote is required equivalent to that Special Resolution

 Any resolution other than special resolution is an ordinary resolution and requires a 60% vote of the issued share capital is to pass such resolutions

Who can be a shareholder?



- Direct bloodline family members of the male shareholders
- Descendants of Female family members

Who cannot be a shareholder?



- Who does not bear the family bloodline
- They shall be offered the cash exit route based on the agreed valuation methodology

New shareholders should sign and abide by the constitution; cash exit route for those who refuse; disciplinary measures for those who do not agree to sell

All direct or indirect transfer or sale of shares to non-bloodline family members is prohibited.

➤ Sub-Committees

Shareholders' Council appoints sub-committees as working groups, whose terms, rules and scope are its responsibility



04

MANAGEMENT BOARD



**Family representation:
Requirement**

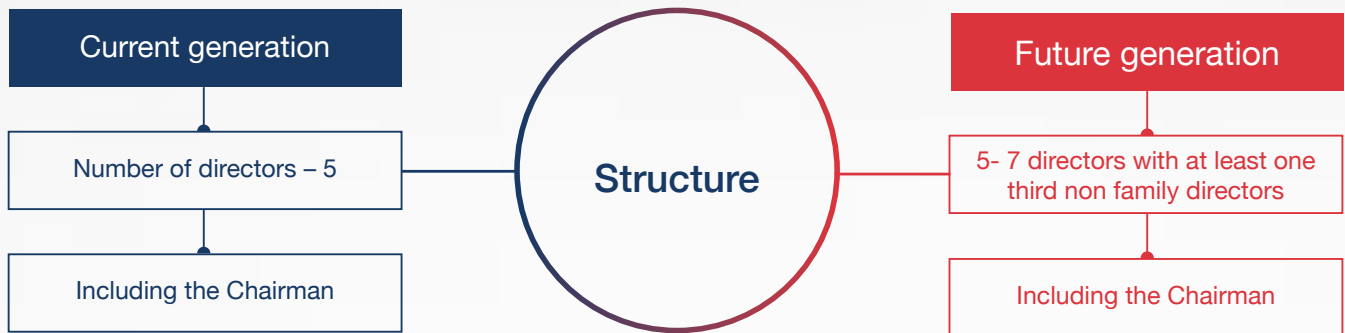
- Second generation members (other than the Chairman) should be properly transitioned to the role of directors based on the criteria of selection and should not exceed 20% of the BoD
- Board of the Holding Company should be strengthened to include non-family professional directors

Chairman of the Holding Company	Elected by the shareholders
Chairman and Vice Chairman	<ul style="list-style-type: none"> • Elected by the Board of Directors • Will vote by reference to a simple majority of the Directors • Chairman shall have a casting vote in the event of a tie
The Board of Directors	<ul style="list-style-type: none"> • Gets remunerated for their role • Appoints an Advisory Board to provide advice on technical or commercial matters
Shareholders' Council	Approves remuneration in line with market rates
Shareholders' Assembly	Approves appointment of family members to the Boards of the subsidiaries and associates
Directors of the Holding Company	Approves the Board members appointed to the boards of the subsidiary and associated business held by the Holding Company





Holding Company Board



Holding Company Board - Elected by the Shareholders' Council

Constituents	Executive family directors	Non-executive family directors
Nominated by	Chairman	Chairman
Criteria	Bloodline family members	Bloodline family members
Degree	University graduate	At least 10 years of work experience, 5 years of which in senior management position
Work experience	At least 10 years of work experience; 5 years of which in senior management position in preferably one of the operating companies or outside the family business	At least 10 years of work experience, 5 years of which in senior management position
Age	35 years above	35 years above
Who can vote?	Shareholders or SPV representatives; One vote per SPV representative per candidate	All SPV representatives; One vote per SPV representative per candidate
Who will be elected?	The individuals receiving greatest percentage of share votes	The individuals receiving greatest percentage of share votes
Term of office	Four years	Four years
Number of attempts	No limit	No limit
Age limit for election	No age limit; shall retire upon attaining the age of 70 years	No age limit; shall retire upon attaining the age of 70 years
Further scope	Can be elected as member of the Advisory Board	Can be elected as member of the Advisory Board
Deselection	With a secret vote by Family shareholders achieving 75% of the issued share capital	With a secret vote by Family shareholders achieving 75% of the issued share capital


Board of Directors shall include non-executive members


Chairman	Reserved to the Founder
Elected by	Board of Directors
Method of election	On a simple majority of the votes cast by the board members eligible to vote
Eligibility	Blood line family members
Age	Over 35 years
Nominations to be submitted to	The Shareholders' Council within 1 month of any election
Who can vote?	All members of the Board of Directors who are eligible to vote
Results	Chairman must announce the result to the Shareholders' Council
Term of office	4 years
Number of attempts	No limit
Age limit	70 years, unless 75% of the shareholders agree to appoint the Chairman over the age of 70 years.
Deselection	Any time on a 75% majority vote of all voting shares in issue
Additional information	Remunerated for his role, approved by the Shareholders' Council in line with market rates May delegate any of his duties to the Vice Chairman


Vice Chairman - For future generation


Elected by	The Board members
Who can vote?	Board members eligible to vote
Method of election	On a simple majority basis by secret ballot
Term of office	4 years
Age limit	70 years, unless 75% of the shareholders agree to appoint the Vice Chairman over the age of 70 years
Number of attempts	No limit
Deselection	Any time on a 75% majority vote of all voting shares in issue

➤ If the elected Chairman is from one of the Founders' main branches, then Vice Chairman shall be a Family member from the other main Branch.

Voting in the Board of the Holding Company 	
Who can vote?	Members of the Board of the Holding Company –i.e., one person, one vote
Proxies	(Signed) are accepted; to be submitted to the Chairman of the Board of the Holding Company
Voting topics	Only on items clearly shown on the agenda
Decisions made	By a simple majority of votes. The Chairman shall have a casting vote.
Absence of Chairman	Vice Chairman shall act as 'temporary' Chairman.

Meetings of the Board of the Holding Company 	
Frequency	A minimum of four meetings in a year
Notice to be given	Minimum of 3 weeks; to be given to the members of the Board
Notice for agenda circulation	2 weeks before the meeting
Quorum	At least half the members plus one of the Directors including proxies


Advisory Board 	
Appointed by	The Board of Directors of the Holding Company
Purpose	To provide advice on technical or commercial matters
No. of members	Two professional advisors without any voting rights
Criteria	<ul style="list-style-type: none"> • At least 45 years old • Have extensive business experience with a minimum experience of 5 years as a director • Trustworthy Respect and maintain confidentiality • Not be in a competing business

Boards of subsidiary companies 	
Members are appointed by	Chairman and the CEO

Directors of subsidiary company boards include

Family	Non-family
Two members of the Board of the Holding Company	The Chief Executive Officer of the subsidiary company (professional)
Two members from the Second generation	

Appointments to Joint Ventures boards 	
Directors (executive/ non-executive) – appointed by	Chairman and the CEO
Appointment criterion	Skills

Appointments to boards outside investments 	
Directors (executive/ non-executive) – appointed by	Chairman and the CEO
Appointment criterion	Skills

Role of the Board

The Group Board will need to meet more frequently. Key responsibilities will include:

- Setting the Group strategy
- Approving Division strategies and business plans, and determining how much capital to allocate to each division
- Appoint group CEO
- Setting clear targets for the Group CEO
- Setting direction for top management
- Reviewing results across group
- Setting remuneration of key executives
- Overseeing risk across the Group
- Approving major transactions
- Overseeing Group leverage levels, and decide on the optimum debt/equity ratio



05

FAMILY TALENT POLICY





Family talent policy



Applicable to

- Current and future generation family members, male and female
- Holding Company and its majority-owned subsidiaries

Not applicable to

- Joint ventures

Education

- Bachelor degree from accredited universities
- Bilingual

Work experience

- Minimum two years of prior experience, preferably outside UAE

Employment conditions for family members

- Same level of performance as non-family employees expected
- Should do everything possible to achieve family objective
- Second and future generations shall have proper employment contracts
- Shall not report to their parent
- Should be supervised by non-family members during their training and development
- Underperforming ones may be terminated
- Career advice and assistance available for a suitable position or alternative employment outside family business

Other benefits

- Same opportunities of promotion, career development, reward and bonuses, participation in profit share schemes
- New business propositions are welcome even if not actively employed in the business
- Support to set up small business ventures even when not employed by family business as once in a lifetime loan

Possibilities

- Employment at or above mid-management level
- Based on qualifications and capabilities
- Assistance in training/development and mentoring before joining the business
- Progression based on abilities

Family Talent Committee



Family Talent Committee

Consists of

- Chairman of the Holding Company
- Group CEO
- The Human Resources Director of the Holding Company

Elected by

- The Shareholders' Council

Prerequisites

- Summer work experience – with nominal remuneration. Helps in understanding of the basics of the business as well as the history of the business

Applying for employment

Chairman of the Holding Company refers the application of any interested family member to the Family Talent Committee

Guiding principles



At a minimum, the employment policy must put the interests of the business first

- Employment of family members should be conducted on the terms of the business; it is not a source of employment for the family
- Employment in the family business should be a privilege not a right
- Employment should be based on the principles of meritocracy
- Family members employed in the business should demonstrate potential to become members of the Board of Directors in the future

Resulting Employment Policy



Employment of family members in the business policy

- The employment of family members in the business will be overseen by a Personnel Committee, composed of family and non-family Board members, other Group representatives and outsiders
- In order to be employed in the business, family members must meet a set of criteria¹

Objective criteria:



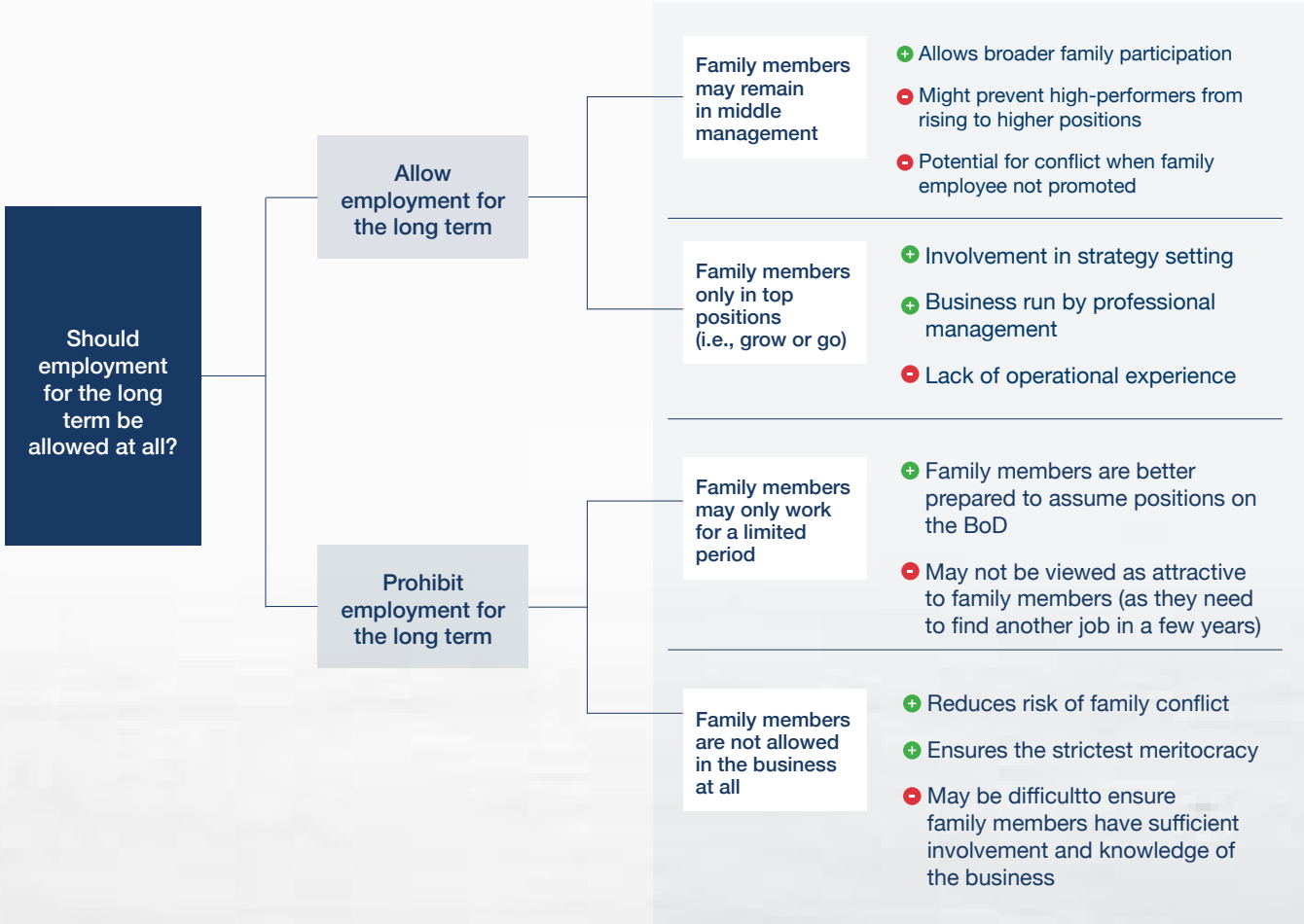
Education

- University degree (BS or BA) from a reputed university¹
- Relevant education to business (e.g., business administration, finance, marketing, consumer products, etc.)
- Strong academic performance, i.e., top 20 percentile of this class

Work experience

- Five years of prior experience at a well-known organization, with experience somewhat relevant to the business

¹ To be determined by the Personnel Committee



Family Entrepreneurial Ventures



<p>Family member</p>	<ul style="list-style-type: none"> • Business Consequently where family members have ideas for new business interests and have the commitment and determination to drive / develop the proposed new business then they can apply to the Holding Company Board for their business ideas to be supported • Shall not provide any personal guarantees on behalf of the company, as with loans and over drafts • Should submit their proposals in writing to the Holding Company, along with a feasibility report • The parent of the applying family member shall guarantee the loan
<p>Business</p>	<ul style="list-style-type: none"> • If the business proposition is approved by the Holding Company Board and the Shareholders' Council, then this will be fully supported by the Family Business in both funds and people resources • Formed as a Limited Liability Company with no outside partners • The businesses funded under this scheme shall not compromise the family's 'values'
<p>Family Office</p>	<ul style="list-style-type: none"> • May assist in the development of the business plan
<p>Holding Company Board</p>	<ul style="list-style-type: none"> • Shall review the viability of the new business proposition and the ability of the Family member to deliver against any proposed business plan. • In such circumstances the Family member recommending the business and leading the development of the business shall be offered either a "weighted interest" in the new venture or a profit share. The terms of the venture will be recommended by the Holding Company on a strictly commercial basis • The Holding Company may enroll external advisors to offer guidance. The proposal will be declined only in case of serious concerns about its viability

Business Protection Policy

The Conflict-of-Interest rules, a crucial aspect of the Family Business framework underscore steadfast dedication to maintaining the integrity, transparency, and fairness of business operations. Even when faced with situations where personal interests overlap with corporate affairs, the commitment is resolute in upholding the principles of fairness, impartiality, and accountability. To ensure this, family members who are working in the business and have private businesses should ensure that their dealing with the family business are in-line with the following points:

- The transactions of the new business with any part of the family business will be carried out on a strictly commercial basis
- Business shall not use the family business name or logo or come into conflict with family values
- The active family member should not provide any personal guarantees against loans for the investment
- Conditions for investment of passive family members in outside private businesses
- The business shall comply with the values of the family
- The business shall not use the family business name or logo or come into conflict with family values
- The proposed business trades with any part of the family business on a strictly commercial basis





06

RULES ON OWNERSHIP TRANSFER





Rules on Ownership Transfer

Rules on Ownership Transfer



Shares	Male shareholders can gift their shares to their direct descendent children
Sale of shares	<p>First to existing shareholders within the individual shareholder's branch/SPV on a pro-rata basis</p> <p>Then, to existing shareholders within the major family branch on a pro-rata basis</p> <p>Then, to existing shareholders of the Holding Company on a pro-rata basis</p> <p>Any shares still available shall be purchased by the Holding Company subject to certain conditions.</p> <p>Shareholders can sell shares only to their direct descendent children for a nominal value, according to the rules of Shari'a</p> <p>Family members who do not have children can also sell their shares to their siblings</p> <p>Should notify the chairman</p>
Share purchase	The Holding Company shall not be expected to purchase its own shares in excess of 20% of the company's issued share capital in any two year period

Sale of shares



Share transactions	<p>Allowed once a year</p> <p>Accordance to rules of 'Who can/cannot be a shareholder'</p>
Valuation of the Family Business shares	The Chairman of the Holding Company will arrange
Details of shares being sold, purchase price	The Chairman of the Holding Company will communicate



Valuation/Discount

This example is for illustrative purposes only, each family can agree on the method of valuation that is suitable for their circumstances.

General

- Sales of shares will be based on, one price fits all, i.e., no discounts will be applied to minority share sales.
- Sale price can be based on fair valuation prepared by a professional firm taking into account that private nature of the company and limited marketability options of the shares.

Basis of valuation

Present generation stays together for the business to continue for generations

- The continuing family members carry the risk and finance the exit of those who are leaving.
- There is limited outside market for the shares.
- The family guarantees the purchase of any shares from an exiting shareholder
- The Shareholders' Council may elect to have the calculation of the consideration to be paid to an existing shareholder discounted.

The discount could be as follows:

10% Quoted securities

10% Real Estate Investments

25% Unlisted operating business

- Each subsidiary shall be valued as the component of the company
- Listed and real estate investments shall be valued by a professional valuer based on the market value
- The discounts set out above are applicable for any such valuation
- All valuations are subjective
- Family prefers simple valuation process such as 'fair to both buyers and sellers'






Rules - Valuation/Discount

Rules - Valuation/Discount	
1	<p>The valuation used in all future share transactions between family shareholders can be referred to a multiple of the averaged 'normalized' EBITDA of the business</p> <p>For companies electing to use professional valuation each time a sale is conducted the professional valuation firm can identify the most suitable valuation methodology.</p>
2	The earnings multiple can be revised every three years by a professional firm through a desktop methodology
3	A professional valuer will be engaged to identify the appropriate multiple of earnings suitable for each individual entity within the Family Business
4	A simple template shall be established to determine the valuation as a multiple of average normalized EBITDA
5	Normalized EBITDA shall be based on the audited financial statements prepared under IFRS
6	Extraordinary items defined as income and expenses arising from events or transactions are clearly distinct from the ordinary activities of the business and are not expected to recur frequently or regularly are excluded
7	In identifying the normalized EBITDA of the group for the purpose of valuation, this may be subject to change in the future and the earnings should be averaged
8	Averaging of the normalized EBITDA will be by reference to the actual audited EBITDA for the previous two accounting years and the projected EBITDA for the current year
9	The Holding Company should bear the cost of the professional valuation
10	There is only one window for share sale
11	Potential sellers should notify the chairman by February 1st one month after the financial year end of (December 31)
12	The valuation and sale process take place prior to finalization and no additional amounts will be paid to the sellers as profits pertaining to the year in which the sales transaction takes place

07

Conflict Resolution Committee



 Role	Addresses and resolves issues of conflict between the family shareholders
 Reports to	Shareholders' Council
 No. of members	Suggested number of members to be 3 however, each family may consider the appropriate structure and membership of the committee as required







 **Two family members**

- Over 50 years of age
- Considered wise and fair, by the family
- Well respected by the family
- Have high standards of ethics and integrity



 **One non-family member**

- Over 50 years of age
- Well known for his wisdom and fairness
- Well respected by the Family
- Has a high standard of ethics and integrity

 Family members elected by	The Shareholders' Council on a simple majority vote
 Term of office	Four years
 Quorum –meetings	All members are present
 Member should stand down temporarily	If involved in a conflict,temporary member shall be elected



08

FAMILY COUNCIL



Membership	Restricted to all family members
Criteria	All family members Male and female Children of the female family shareholders Spouses
Meetings – participation criteria	Professionals, if invited by the Head of the Family Council Committee
President	The surviving eldest male; direct descendant of the Founders
Successor	The next eldest direct descendent male family member
Deselection	On a 75% majority vote of the Shareholders
Head of Family Council Committee	
Who can be the Head?	Male or female bloodline family member
Eligibility	<ul style="list-style-type: none"> • Must be over 35 years of age • Not a second generation family member • He/she shall be a university graduate • Preferably bilingual
Term of office	Four years
Supported by	A Committee, ensuring the role of the Family Council is carried out in a proper manner
Deselection	With a 75% majority vote of the members (one person one vote).
Committee	
No. of members and other details	<ul style="list-style-type: none"> • 4 • Male and female • Different generations
Elected by	Family Council
Mode of selection	Individuals receiving the highest votes
Term of office	Four years
Remuneration	No remuneration for the President of the Family Council, the Family Council Committee and the members of the Committee for their roles

Voting of the Family Council	By reference to a simple majority of the members
Proxy votes	(Signed) are accepted
Voting at meetings	Only on items clearly shown on the agenda
Meetings of the Family Council	Minimum of two meeting per year
Notice time for meeting	A minimum of three weeks' notice
Notice time for agenda	Two weeks before the meeting.
Who all can discuss?	Any member of the Family Council
Meeting –quorum	When members of the Family in attendance, including proxies, represent 2/3rds of the total members



9

- A. Family Office
- B. Family Charity Committee
- C. Family Charity Guidelines
- D. Dividend Policy
- E. Confidentiality/Code of Conduct/Obligation





A. Family Office

Purpose	<ul style="list-style-type: none"> • Family office structure independent from the business with the following role: • To provide skilled and dedicated resources to meet the needs of the Family (both active and passive) • Provide administrative support • Assists with the services required by all family members • Receives dividends on behalf of shareholders, maintains individual shareholder's accounts and provides basic investment advice to the family • Acts as an administrator/secretarial support to the Board and the various committees/councils of the Shareholders' Assembly
Appointment of members	<p>By Family Council members (Shareholders)</p>
Term of office	<p>Four years</p>
Deselection	<p>By a 75% majority vote of the Shareholders</p>
Family office supported by	<p>Family Office manager; non-family member</p>
Role	<ul style="list-style-type: none"> • Makes decisions regarding the running of the office • Sets up a detailed scope/budget of the Family Office • Staffing requirements • Develops proper policies and procedures



B. Family Charity Committee

No. of members	Elected family members shareholders in the Charity Committee
Mode of election	Same as that of family members to the Board of Directors
Head	Elected by the shareholders
Term of office	Four years
Decision making	On a simple majority basis
Deselection of members	By the Shareholders' Assembly, based on a 75% majority vote
Remuneration	Nominal, based on recommendations of the Holding Company Board, approved by the Shareholders' Assembly



C. Family Charity Guidelines

1.	Until the incorporation of the formal Charitable Foundation, the Family shall form a Charity Committee which shall seek worthwhile charitable causes based on the overall strategy communicated by the Shareholders' Assembly
2.	<p>While the charitable class of the beneficiaries of the charitable gifting shall be agreed by the Family, it is envisaged that the gifting and identification of recipients of the charitable funds shall be the responsibility of the Charity Committee and would comprise funds for:</p> <ul style="list-style-type: none"> • Religious establishments • Orphanages • Social charitable foundations • Medical establishments
3.	The Committee shall ensure that the Family Office provides proper support in terms of managing the administration and finances support for the Charity Committee, receiving annual income from the Company, investing reserves and monitoring, ensuring payments to Charities as directed, obtaining receipts and ensuring where appropriate that all donated funds have been properly applied
4.	The amount dedicated to charitable activities shall be a percentage of the previous year's annual profit of the business equal to the Zakat requirements of the Shareholders
5.	It is further the wish of the Family Members that their children should be brought into this same culture so that they too will be willing to make similar commitments in their lifetime
6.	It is understood that the Charity will be in the form of charitable activities as recommended by the Charity Committee
7.	Family members who wish to additional contribution may do so if they so desire



D. Dividend policy

Well-structured dividend policy	supports family with funds for investment opportunities ranging between 20% -30% of net profit
Reserves	for possible future exits of family members and returns from investments
Holding Company Board	recommends dividend payment for shareholders
Shareholders' Assembly	approves the payment
Dividend distributions	based on the average of the previous two years and the current year forecast net profit Deposited into individual shareholders accounts
The Shareholders' Assembly	reviews the dividend policy annually
Monthly advance dividend payment	covers shareholders expenses



E. Code of conduct

Confidentiality	<ul style="list-style-type: none"> • Should not communicate any business or family ownership issues to any 'non-members' of the Shareholders' Council • Should not communicate issues covered by the advisors' code of confidentiality to their professional advisors
Code of conduct	<ul style="list-style-type: none"> • Shareholders must not use their shareholding as any form of collateral • Their shareholding must be free from all encumbrances • Shareholders must ensure that gifts in their lifetime of shares in the family businesses must comply with shareholder eligibility criteria • Agree to comply with the Family's charitable commitment • Shareholders should behave as one, with the key objectives being the success and reputation of the Family and the family business • Shareholders shall be obliged to act as responsible and caring Shareholders and Family Members
Violation	<ul style="list-style-type: none"> • Individuals who violate the rules stipulated in this document shall initially have a verbal warning, then a second written formal warning • Individual will be banned from attending meetings of the Family Council and/or obtaining the services provided by the Family Office • Shareholders' Council can suspend any member from attending meetings for a period of up to two years • If a Family member who is a Branch SPV representative, another representative needs to be elected • The member should not attend meetings, propose items for the agenda, have sight of the minutes of meetings, receive information, have any rights of benefit

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