HABIB AL MULLA AND PARTNERS 1984
40+ YEARS of EXCELLENCE

The Family Code: Redefining Legacy for The Next Generation

Interactive Guide and Questionnaire

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I. Background and Purpose

This memorandum provides a comprehensive **interactive guide** for a UAE-based family business (LLC) to enable Habib Al Mulla and Partners with the drafting of a **Family Constitution (Family Charter** or **Family Protocol),** in line with UAE law and best practices. It is structured as a fillable questionnaire, allowing family members to collaboratively record their decisions and values. The guide fully aligns with **Federal Decree-Law No. 37 of 2022 (the "Family Business Law")**, which governs family businesses in the UAE **("Family Company" or "Family Business")**, and accommodates **Shariah-compliant** considerations for succession and inheritance planning. Relevant provisions of the law are referenced throughout (in particular, **Articles 6, 7, 8, 12, 18** of the Family Business Law) to ensure the constitution conforms to legal requirements. Notably, the Family Business Law explicitly permits families to formalize and register a binding Family Charter covering ownership, governance, share transfer, and other key matters. By law, any new shareholder of the family company is automatically bound by the Family Charter and the Family Company articles, underscoring the importance of a clear, agreed-upon family constitution.

II. Scope

This guide addresses core topics – from the family's vision and values to share ownership rules, governance structures, and succession planning – tailored for a UAE Family Business. It incorporates the best international practices commonly recommended by top-tier global law firms and private client advisors, ensuring the Family Charter meets world-class standards of family governance. Each section below provides explanatory notes (including Sharia considerations and relevant UAE law references) and interactive questions for the family to complete. The finished product will serve as a "Family Charter" that complements the Family Company legal constitutional documents (i.e. the Memorandum and Articles of Association), while remaining sensitive to Sharia inheritance rules and the family's unique values.

III. Instructions

Family members should convene to discuss and fill in each section. The questions are designed to capture the family's consensus on each topic. *Explanatory notes* are provided in italics to guide your discussions. Habib Al Mulla and Partners will then prepare the Family Charter as a draft. Once completed, the Family Charter can be reviewed by legal counsel, approved by the Family Council or general assembly of family partners, and (if desired) registered with the Ministry of Economy's Family Companies Register as allowed by UAE law. Remember that under **Article 6(3)** of the Family Business Law, no charter provision can contradict the company's Memorandum or the law, so alignment with legal requirements (cited below) is critical. The family is also encouraged to review and update this document periodically to adapt to changing circumstances, and we would be delighted to assist with the amendments to the Family Chater, if and when needed.

IV. Optional Section: Family Constitution Workshop

(Recommended prior to completing this Guide)

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a. Purpose of the Workshop

To facilitate a unified and well-informed approach to completing this interactive Guide, the family may convene a dedicated workshop involving shareholder family members and members of the next generation, supported by your trusted legal advisors, Habib Al Mulla and Partners, where appropriate. The objective of the workshop is to promote inclusive dialogue and informed decision-making concerning the Family Constitution.

b. Scope and Objectives

The workshop shall serve as a forum to:

- Foster consensus on the family's shared values, vision, and long-term aspirations for the business and the family enterprise;
- Promote intergenerational dialogue to ensure that future stakeholders are engaged and their perspectives are incorporated;
- Clarify legal concepts and governance principles contained in the Family Business Law (Federal Decree-Law No. 37 of 2022) and this Guide, including inheritance implications, shareholding frameworks, and the distinct functions of the Articles of Association and the Family Charter;
- Identify areas of agreement and areas requiring further consultation among family members; and
- Create a preliminary working draft of the Family Charter that reflects the family's preferences and direction.

c. Workshop Format

Habib Al Mulla and Partners will assist the Family in guiding the workshop. The session may be conducted over one or two days, depending on the complexity of the issues and the number of participating stakeholders. Breakout discussions may be organised by theme (e.g., ownership, employment, governance, succession) in alignment with the sections of this Guide.

d. Benefits of Holding a Workshop

- Ensures all affected parties are consulted in a transparent and structured manner;
- Promotes long-term harmony by addressing sensitive matters proactively rather than reactively;
- Enhance collective ownership of the Constitution, increasing its legitimacy and long-term enforceability; and
- Reduces the risk of future conflict by aligning expectations before decisions are formalized.

e. Post-Workshop Actions

Following the workshop, the outputs will be consolidated and reviewed by Habib Al Mulla and Partners. The family may proceed to finalize this Guide and adopt the resulting Family Constitution by majority resolution of the Family Council or shareholder group, in accordance with Article 6(4) of the Family Business Law.

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f. Note on Filing and Confidentiality

Pursuant to **Ministerial Resolution No. (106) of 2023) On Filing the Family Charter in the Register**, the family may elect to file a copy of the finalized Charter with the **Ministry of Economy's Family Business Register**. Registration may offer the family benefits under the Family Business Law framework, including access to formal dispute resolution support and regulatory recognition.

Should the family wish to preserve the confidentiality of its Charter and internal policies, it may do so by **notating the Charter as "confidential"** at the time of filing, thereby ensuring that the Ministry treats its contents accordingly.

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1. Family Vision, Mission & Values

Notes: A strong Family Constitution begins with a unified **vision, mission, and core values** of the family in business. This section sets the foundational purpose and principles that guide the family enterprise across generations. **Article 6(1)** of the Family Business Law explicitly allows the Family Charter to outline the family's *"objectives and values"*. Clearly articulated shared values and long-term vision help ensure continuity and harmony over time. This is the section where the family defines its identity and aspirations, providing contexts for all other governance rules.

Please complete the following:

a. **Family Vision:** Describe the family's long-term vision for the business. What do you collectively see as the future of the company in 10, 20, or even 50 years?

(E.g., "To become a multi-generational enterprise that sustains our family's legacy and contributes to the UAE's economy.")

Vision Statement:

b. **Family Mission:** State the core mission of the family business. Why does the business exist, and what objectives do you pursue aside from profit?

(E.g., commitment to quality, innovation, community development, etc.)

Mission Statement:

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c. **Shared Values:** List 3–5 fundamental values that the family members pledge to uphold in managing the business. These may include ethical principles (integrity, trust), business principles (excellence, customer focus), and family principles (loyalty, unity). These values will serve as guiding tenets for decision-making.

Core Family Values:

-
-
-

d. **Family Philosophy or Motto (Optional):** If desired, articulate a brief motto or statement encapsulating the family's business philosophy or ethos (optional).

Family Motto:

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Note*:* The vision, mission, and values defined here set the tone for the entire Family Constitution. They should align with Islamic ethics and the family's cultural identity. All family members — including next-generation members — should agree and feel represented in these statements, as they will be the cornerstone for policies on ownership, governance, and succession.

2. Ownership Policy & Share Transfer Mechanisms (Sharia-Compliant)

Notes: This section defines **who can own shares** in the Family Company and **how shares can be transferred** or sold, in compliance with both UAE law and Sharia. Under UAE's Family Business Law, ownership is restricted to family members unless certain conditions are met. **Article 7** permits a Family Company to have an unlimited number of partners (shareholders) as an exception to normal company rules and allows different classes of shares with different rights (see also **Article 12**, cited below). It is worth nothing that, **Article 8** imposes pre-emptive rights in favor of the family: any partner wishing to transfer shares must first offer them to other [family partners], and sales to [non-family outsiders] require approval of at least 75% of the family shareholders (or a different threshold set in the company's Memorandum). This legal mechanism is designed to **keep ownership within the family** and prevent unwanted outsiders, thereby supporting continuity across generations. Additionally, a partner may freely transfer shares to immediate relatives (spouse or first-degree relatives) without offering them to others, unless the Family Charter or Memorandum of Association provides otherwise.

Sharia Consideration: In the UAE, Muslim family members' shares, upon death, are subject to Islamic inheritance (forced heirship shares). The Family Business Law acknowledges this by mandating that on a partner's death, the company's manager (or director) acts as custodian of that share and oversees its transfer to the heirs according to their legal Sharia shares. This means the Family Charter cannot override Sharia inheritance rules, but it can provide guidance for *managing the impact* of inheritance on the business (for example, encouraging heirs to hold shares through a holding company or trust for collective benefit). Families may also consider Sharia-compliant structures like a **family trust (waqf)** [or holding company] to consolidate ownership and minimize fragmentation of shares among heirs while respecting Sharia distributions.

Ownership Policy – please address the following questions:

a. **Definition of "Family" for Ownership:** Define which individuals qualify as "family members" eligible to be shareholders under the constitution. (For example: lineal descendants of the founder, spouses of descendants, adopted children, etc. Many constitutions restrict ownership to bloodline descendants and perhaps their spouses. **Article 3** of the law requires majority ownership to be held by the same family.)

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Eligible Shareholders:

(E.g.: "Descendants of [Founder's Name] in direct line, and their spouses, subject to approval of the Family Council")

b. **Share Classes:** Indicate if the family company will utilize different classes of shares (as permitted by law) to distinguish voting power. **Article 12** of the Family Business Law allows creation of two classes: "**Class A**" shares with voting rights and profits, and "**Class B**" shares with profit rights but **no voting rights**. Will the constitution provide for non-voting shares for certain family members (e.g., passive investors or minors)? Will any conditions for converting one class to another be set?

- **Classes of Shares to be Used:** (Yes/No; if yes, describe class rights – e.g., *"Class A shares: voting & dividends; Class B: dividends only, no vote"*).

- **Conversion Conditions (if any):** *(E.g., "Class B (non-voting) shares held by minors can convert to Class A when the holder turns 21.")*

c. **Restrictions on Transfer to Non-Family:** Outline the rules for any transfer of shares to persons outside the defined family. By default, UAE law requires more than **75% family partner approval** to sell to a non-family member. The family can choose to make this rule even stricter (for instance, requiring unanimous family consent for any outside sale, or outright prohibiting sales to non-family members in the charter). Also decide whether to **allow gifts to spouses or close relatives** without triggering the offer to others (the law allows spouse/first-degree transfers as an exception, but the family can override if it prefers all transfers be offered to all family shareholders first).

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- *Minimum approval needed for sale to a non-family outsider:* ____________% *(must be ≥**75%** of voting shares, per law)*
- Policy on gifting shares to immediate family *(E.g. spouse, children):*

  (E.g., "Allowed without prior offer to others" or "Must still get Family Council approval")

- *Right of first refusal:* Confirm that any selling owner must first offer shares pro-rata to existing family shareholders (this is mandated by **Article 8(1)**, but the family can detail the process, e.g. written notice to all members, 60-day acceptance period, etc.).

  Process for Internal Offer:

  (E.g., "Seller must notify Family Council and all partners in writing. Family members have 30 days to exercise their right to purchase, in proportion to their holdings.")

d. **Valuation of Shares (Internal Transfers):** Specify how the share price is determined for transfers among family members or on an exit by a family member. Fair valuation is crucial for internal buyouts or inheritance settlements. Will you use an agreed formula (e.g. based on EBITDA, book value, or an independent valuation) to avoid disputes? **Article 6(1)** allows the charter to set *"mechanisms for evaluating shares"*. If not specified, valuations might be made by experts or a committee per law for certain cases. These aspects can be described in the Family Charter.

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Share Valuation Method:

(E.g., "By an annual independent auditor valuation"; or "Formula = [method]"; or "as agreed by Family Council's finance committee.")

e. **Company Share Buy-Back Option:** Decide if the family business (the company itself) should be allowed to purchase a family member's shares in certain cases *(E.g. an existing member, or to consolidate ownership)*. Under **Article 11**, the company may buy up to 30% of its own shares in specific cases (such as to facilitate a partner's exit). This can provide liquidity for a departing family member while keeping shares within the family entity. Will the constitution permit or encourage the company to exercise this right? If yes, outline the circumstances (retirement, no buyer among family, etc.) and approval needed (e.g. Family Council or general assembly consent) for the company to repurchase shares.

Company Share Purchase Policy:

(*E.g.: "If a family member wishes to exit and no other family member will buy their shares; the Family Council may approve [by unanimous resolution] the Company's buy-back of those shares (up to 30% of capital) for subsequent redistribution to remaining family shareholders".)*

f. **Retention of Family Control:** Specify a minimum family ownership threshold to maintain control of the business. The law states that even if some shares end up with non-family, the family must own more than 50% (a majority) for it to remain a "family company". The constitution can set an even higher minimum (for example, *"The family shall always hold at least 75% of the shares; non-family ownership will never exceed 25%"*).

Minimum Family Ownership %: _______% (must be >50%; consider if you want a supermajority)

g. **Treatment of Inheritance & Forced Heirship:** Acknowledge how shares will be handled upon the death of a family shareholder. Under Sharia law (for Muslim owners), shares will transfer to heirs by fixed proportions. The constitution should state that in the event of a shareholder's death, their shares shall be distributed to their legal heirs (children, spouse, parents, etc.) in accordance with Sharia and the UAE Personal Status laws. **Article 15(2)** of the Family Business Law (implied from context) requires the manager to oversee this transfer to each heir's legal share. The family can add whether surviving family owners are expected to *buy out* minor or non-active heirs (to keep voting control with active members), or whether heirs are encouraged to pool their inherited shares into a single holding (like a family trust or a company owned by the heirs collectively). Any such arrangement must still respect the entitlements of each heir, but with a certain oversight by the Family Council (see encumbrances of shares below).

- **Acknowledgment of Sharia Inheritance:**

  (E.g., "The family business will honor Sharia law in inheritance matters; each deceased partner's shares shall pass to their rightful heirs as per UAE law.")

- **Succession Planning Tools:**

  (E.g., "We will consider establishing a family trust or holding company to hold heirs' shares collectively, ensuring continuity while each heir receives fair value and income.")

Note: The ownership rules you set here should balance **family cohesion** with fairness. Many families choose to **restrict share ownership to bloodline families** to prevent dilution of culture and control. Consider also implementing **buy-sell agreements** or funding mechanisms (like life insurance) to facilitate smooth buyouts when a family member exits or passes away, so that the remaining family can afford to purchase those shares from the heirs. All these arrangements must comply with UAE law and Sharia – e.g., a buyout of an heir's share should be done at fair

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market value unless the heir voluntarily agrees otherwise, and within the rules of inheritance distribution.

h. **No encumbrances on Shares:** For the smooth operation of the Family Company, it could be considered to prohibit encumbering shares (for example through a loan), or to require the vote of the Family Council.

3. Governance Structure: Family Council, Board of Directors & Family Office

Notes*:* A clear governance structure is a hallmark of effective family business management. This section will establish formal **family governance bodies** (and their roles) and clarify how they interact with the business' management. International best practices encourage separating *family decision-making forums* from *business management forums*. The UAE Family Business Law also recognizes this distinction: it explicitly mentions the **Family Assembly, Family Council, and Family Office** as bodies that can be formed to manage family affairs and formalize the family-business relationship. **Article 18** of the law provides that family governance may be organized via such councils/committees to handle education of family members, their employment, family investments, philanthropy, and conflict resolution, ensuring a separation between family matters and company operations.

Within the business itself, an LLC can be managed by a **Director or a Board of Directors (BoD)**. The family should decide if they will have a BoD for the company (the law allows an LLC to have a board if stipulated in the Articles). Having a Board (potentially including independent non-family directors) can improve corporate governance. Meanwhile, a **Family Council** (comprising family members only) can make decisions on family-specific policies (like those in this constitution) and act as a bridge between the family and the business's BoD. A **Family Assembly** is a broader forum (all adult family members, perhaps including spouses) usually meet annually to keep everyone informed and united. A **Family Office** is an entity or team that manages the family's private wealth, assets, investments, and possibly provides administrative support for family affairs separate from the operating company.
The Family Council, similar to a Board of Directors, may set different thresholds for different decisions. For example, for decisions with large consequences, these might be by a unanimous resolution.

Governance Framework – please address:

a. **Family Council:** Define the role, composition, and meeting schedule of the Family Council. This is typically the key governing body for family matters.

- **Composition:** Who sits on the Family Council? *(E.g., a subset of family members such as one representative from each branch of the family, or all adult shareholder family members above a certain age, etc.)*

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- **Elections/Appointment:** How are members chosen and how long do they serve? *(E.g., elected by family assembly every 2 years, or automatic inclusion of certain senior members, etc.)*

- **Responsibilities:** Outline what decisions/policies the Family Council is empowered to make. (*E.g.,* ***approving or amending the Family Constitution*** *(note:* ***Article 6(4)*** *requires the charter to be approved/amended by the majority of the Family Council, or by majority of family partners if no council). Other responsibilities might include setting family employment policies, approving major ownership changes, organizing family meetings, and resolving intra-family disagreements before they escalate.)*

  (E.g., "The Family Council will establish and update family policies, oversee the implementation of this Family Constitution, represent family interests to the Board of Directors, and serve as a forum to resolve family disputes internally.")

- **Meeting Frequency:** How often will the Family Council meet?

  (E.g., quarterly, or more frequently if needed.)

- **Decision-Making:** Note how the Family Council makes decisions (majority vote, consensus, quorum requirements). This is a large section usually.

- **Reporting:** Will the Family Council report to the larger Family Assembly annually on its activities/decisions?

- Non-Executive

b. **Family Assembly (General Family Meetings):** *Determine if a broader family gathering will be held and what its role is.* Many families hold an annual or bi-annual Family Assembly including a wider group of family members (including those not working in the business) to communicate important information and maintain unity.

- **Participants:** Who is invited?

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(E.g., All adult family members, including non-shareholders? Spouses? Descendants over a certain age?)

- **Frequency:** Any reserved matter for the Family Assembly?

  (E.g., "Annual Family Gathering each Ramadan" or similar)

- **Purpose:** Typically, informational and advisory

  (E.g., review company performance, educate family members (especially the younger generation) about the business and values, and elect Family Council members if applicable.)

- **Voting:** Does the Family Assembly have any decision-making power or is it purely consultative? (Often, major changes to the constitution or family vision could be presented here for broad consensus, even if it is the Family Council that votes. Of course, the Family Council should represent the whole family.)

c. **Board of Directors (Business Governance):** Decide on the governance of the Family Company itself – will there be a formal Board of Directors? In an LLC, this is optional but advisable for structure.

- **Structure:** Will the company be managed by a single General Manager/Director or by a Board of Directors? *(**Article 3** of the law allows any form under Companies Law, so LLC can choose either structure).*

  (E.g., "We will establish a Board of Directors of 5 members" or "The company shall be managed by a General Manager as per the MoA.")

- **Board Composition:** If a Board is instituted, how many members, and how many of those can/should be family members vs. external independent professionals? *(Best practice:* consider including at least one or two independent directors for objective guidance.)

  (E.g., "Board of 5: three family members and two independent directors from outside, to be selected for their industry expertise.")

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- **Chairperson:** Will a family member always chair the Board, or could an external chair be appointed? Define if applicable.

- **Reserved Matters:** Clarify which major decisions require family (shareholder or Family Council) approval beyond the Board

  (E.g., sale of the business, amendments to Articles, major acquisitions, etc. (The family constitution can list "family reserve matters" that the Board must bring to the family for approval.)

- **Reporting to Family:** The Board/management should report key business results to the Family Council or Assembly periodically. Define the frequency and format *(annual reports, quarterly updates, etc.)*.

- **Implementing decisions of the Family Council:** The Board of Directors shall be obligated to implement the decisions of the Family Council (and Family Assembly if applicable), and the Directors shall sign the Family Charter to be bound.

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d. **Family Office/Wealth Management (Optional):** *If applicable, describe the family's approach to managing collective family wealth outside the operating business.* A Family Office can be a separate formal entity [or just a designated team handling investments, real estate, philanthropy, and financial planning for the family.] **Article 18** of the Law envisions the Family Office as part of family governance for separating family wealth from the company and organizing investments and charitable initiatives.

- **Family Office Setup:** Will the family establish a Family Office? If so, outline its scope

  (E.g., managing investment portfolios, properties, other assets (E.g. artworks, yacht, etc) providing financial reports to the family, handling inter-generational wealth transfer planning).

- **Governance:** Who oversees the Family Office (perhaps the Family Council or a separate investment committee)?

- **Funding:** How is the Family Office funded

  (*E.g., an agreed percentage of dividends or family wealth)?*

- **Interaction with Business:** Clarify boundaries between the Family Office and the operating company

  (E.g., it is recommended that the Family Office should not interfere in daily business operations, and vice versa, to avoid conflicts of interest).

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e. **Other Committees (Optional):** List any other governance bodies or committees the family wishes to create. Examples: a **Next-Generation Education Committee** (to plan internships and training for young family members), a **Philanthropy Committee** (to manage charitable giving), or an **Executive Committee** within the Family Council for urgent decisions. UAE families sometimes create committees to focus on specific areas (education, dispute resolution, etc.), as noted in **Article 18**'s allowance for various councils/committees.

- Committee Name and Purpose

- Composition and Authority

- Provide list of responsibilities / reserved matters, for each committee.

Note: Clearly defining governance structures ensures that **business decisions** are made professionally (often via the Board/management), while **family decisions** are made collectively by the family through the Family Council or Assembly. This separation helps prevent family conflicts from seeping into business operations and vice versa. The Family Council and related bodies formalize the family's voice in governance and can greatly aid succession and conflict management. All family members should understand the governance chart – consider including an organizational diagram (Family Assembly → Family Council → Board → Management; and alongside, Family Office, etc.) for clarity. Also, the Family Charter can be filed with authorities for legal standing, but internal family understanding is most important.
However, the family could consider a right for the family to elect Directors, possibly as observers, at the Board level if companies operating oversight if there is no such representation already.

4. Family Employment Policy (Roles of Family Members in the Business)

Notes*:* Defining if and how family members can work in the business is critical to avoid nepotism issues and ensure the business is well-managed. This section lays out **employment criteria, entry rules, and roles for family members**. The best international practices suggest having clear rules about hiring, promoting, and compensating family employees to balance family opportunities with meritocracy. The **Family Business Law's Article 6** explicitly allows the charter to cover *"education and qualification of family members to work in the family company and its subsidiaries"* and even to set minimum qualifications/experience for family employment. The law says any standards set should be overseen by a committee of the Family Council. This empowers the family to require, for example, certain educational degrees or outside work experience before a family member can join the company.

In this section, you will establish *who can work in the company, under what conditions, and how they will be treated relative to non-family employees*. A thoughtful family employment policy can prevent resentment (both within the family and among other staff) and ensure the business benefits from competent leadership.

Family Employment Guidelines – please specify:

a. **Eligibility and Entry Criteria:** *State the qualifications a family member must have to join the business.* Consider requirements such as a college degree, a certain number of years of outside work experience, or starting with internships. For example, many family constitutions require young family members to **work outside the family firm for 3–5 years** and achieve a certain education level before they can take a role in the family company. This builds experience and credibility.

Minimum Requirements to Join:

(E.g., "Bachelor's degree in a relevant field and 2 years' experience at a non-family company" or "Must intern in each department before assuming a full-time role.")

b. **Hiring Process:** Describe how a family member would be recruited or approved for a position. To ensure fairness, some families have candidates apply for an open role and be evaluated by HR or an independent panel. Others require Family Council approval for certain key appointments. Outline any special process

(E.g., "A family member must apply through HR like any candidate and meet the job requirements. Final hiring of a family member must be approved by the CEO and one independent board member.").

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c. **Roles and Limitations:** Clarify what positions family members can hold and any limitations. Will family members start only in junior roles and rise on merit? Are certain top positions reserved for family (for instance, CEO or Chairman must be a family member or a minimum of one Board member?), or could those be held by non-family professionals if they are more qualified? Define if the constitution requires or prefers the business to be led by a family CEO when possible, or if an external CEO is an option (a common practice in larger global family firms to ensure professional management).

(E.g., "Family members may hold any position for which they are qualified; however, the position of CFO must be vetted by the Board's audit committee. The family prefers a family CEO but will consider external CEOs if no qualified family member is available.")

d. **Performance and Evaluation:** State that family employees will be subject to the same performance appraisal and discipline as any other employee. It's important to establish that being family does not grant immunity from the rules. Will family staff report to non-family managers? And who evaluates a senior family executive (perhaps the Board or a committee of the Board)?

(E.g., "All family employees will have annual performance reviews by their line managers. Any family member in an executive role will be evaluated by the Board of Directors (or a Board committee) on performance against agreed objectives.")

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e. **Compensation and Benefits:** Explain how family members will be compensated. The best practice is to pay market-based salaries commensurate with role and experience, not based on family status. Clarify that salaries, bonuses, and benefits for family employees will be aligned with HR policies and benchmarked to industry standards. If the family wants to set any caps or guidelines (to avoid perceptions of favoritism or draining company resources), note them.

(E.g., "Family members in the business will receive compensation comparable to non-family peers in similar roles; the Family Council's remuneration committee will review pay to ensure fairness and meritocracy.")

f. **Promotion and Career Development:** Describe how family members can progress in their careers within the company. Is it purely merit-based? Will mentorship be provided (perhaps pairing next-gen family members with senior non-family executives, or further education or training)? Also consider if a family member can be *demoted or asked to leave* if performance is poor – it's healthy to clarify this to avoid lifetime sinecures.

(E.g., "Promotions of family employees shall be based on objective performance criteria and the recommendation of their department heads. Family members are subject to the same promotion criteria as others and do not receive automatic advancement. Continued underperformance may lead to exit from the company, as difficult as that may be, to protect the business integrity.")

g. **Entry of In-Laws or Married-Ins:** Decide whether spouses of family members (in-laws) are allowed to work in the business. Some families strictly prohibit in-laws from employment to avoid complex family politics; others allow it under certain conditions. State your policy.

(E.g., "Spouses of family members are not permitted to work in the company to maintain clear boundaries," or "In-laws may be hired only with unanimous Family Council approval and if suitably qualified for an open position.")

h. **Termination Policy:** Acknowledge how the business will handle the sensitive issue of removing a family member from employment if necessary. For example, will the Family Council be involved if a family employee must be terminated? It's wise to outline a procedure (perhaps a performance improvement plan, followed by a decision by the CEO/Board in consultation with the Family Council).

(E.g., "If a family employee commits misconduct or fails to meet performance standards after due remedial efforts, the CEO (or Board) may terminate their employment. The Family Council chair will be informed prior to final action to maintain family harmony, but the business retains authority to enforce its standards.")

Note: By setting these employment rules, the family demonstrates professionalism and fairness. This also helps non-family employees understand that the company values merit — which is crucial for morale. **Article 6(2)** of the law lets you enforce qualifications; use that power wisely to ensure only capable family members lead the business into the future. Keep in mind the **bigger picture**: not every family member must or should work in the business. Some may contribute as owners or advisors instead. Encourage family talent to earn their place — it will earn respect both inside and outside the family.

5. **Dividend Distribution & Financial Transparency**

Notes: One common source of conflict in family businesses is money: specifically, **dividend policy** (how profits are distributed to family shareholders) and transparency about financial performance. A clear, agreed approach to dividends can set proper expectations among family owners – some may rely on dividend income, others prefer reinvestment for growth. This section should codify how the family balances reinvesting profits vs. paying out dividends, and what financial information will be shared with family members. There may also be sector standards for the retention of dividends.

Under **Article 6(1)** of the Family Business Law, the family charter may include *"methods of profits distribution"*, giving families flexibility to set a dividend policy that suits them. International best practices suggest establishing a stable dividend policy to reduce disputes – for example, paying out a certain percentage of profits each year, or having guidelines that in good years some extra dividends can be issued but in lean years they may be cut. Also, the family should decide on *financial reporting* to the family: which statements will be shared and how often (to ensure trust and transparency, especially among those who are not in management).
This aspect of the Family Charter is another aspect to be enshrined in the Family Charter to be enforced by the Directors / Shareholders in the Family Company.
Consider also the possibility / mechanism of family members borrowing money from the Company. Repayments, conditions to get a loan, etc.

Dividend & Finance Policy – please specify:

a. **Dividend Policy:** Determine the rules or guidelines for distributing the company's profits to family shareholders. Consider questions like: Will dividends be paid annually at a fixed percentage of net profits? Or will it be decided year-by-year by the Board or Family Council? Do you want a policy of retaining a minimum portion of profits for growth (e.g., "at least 40% of profits will be reinvested, and up to 60% can be paid as dividends")? Also, consider if different classes of shares have different profit rights (if you adopted Class A/B shares, note that both classes at least get profits, but perhaps Class B focuses on dividends). Ensure the policy respects any requirements in the company's Memorandum and UAE Companies Law (which generally allow dividends only from distributable profits) as well as the UAE Family Business Law.

Dividend Distribution Rule:

*(E.g., "Subject to business needs, the company will aim to distribute **30% of annual net profits** as dividends to shareholders, with the remaining 70% reinvested. The Board may adjust this ratio in exceptional years with Family Council consultation.")*

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b. **Regularity of Dividends:** State how often dividends might be declared and paid. (Typically, annually after financial statements are finalized, or semi-annually if decided.)

(E.g., "Dividends will be considered annually after the year-end audit. Interim dividends may be considered at mid-year if profits allow.")

c. **Voting on Dividends:** Clarify who approves dividends. Generally, in UAE companies, dividends are approved by the general assembly of shareholders upon recommendation of the directors. Indicate whether the Family Council or a certain majority of family shareholders must agree on the dividend amount each year.

(E.g., "The Board will recommend an annual dividend per share. This must be approved by a majority vote of family shareholders at the Annual General Meeting.")

d. **Reinvestment and Reserves:** *State any policy on building reserves or retaining earnings for expansion.* For example, under the UAE Companies Law, LLCs are required to allocate 5% of net profits to a statutory reserve until they reach half of the company's share capital. Moreover, you may specify that the company should maintain a reserve equal to X months of expenses or

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not dip below a certain equity ratio, etc., before paying dividends. This protects the business's financial health.

(E.g., "No dividends shall be paid that would leave the company's equity below AED [___], ensuring sufficient reserves for sustainability.")

e. **Extraordinary Payouts:** Address if the family can take extraordinary distributions (for example, if the company sells a major asset or has a one-time windfall). Will those be distributed or reinvested? Clarify the process for any special dividend.

(E.g., "In case of a one-time gain (e.g., sale of a subsidiary), the Family Council and Board shall confer to decide whether to distribute a special dividend or retain the funds for future investments.")

f. **Financial Transparency:** *Outline what financial information will be shared with family shareholders and perhaps the broader family (if different).* Good practice is to provide at least annual audited financial statements to all shareholders. You might also commit to quarterly summary reports or briefings at family meetings. Transparency builds trust and helps non-active family members understand the business performance, reducing speculation or mistrust.

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- **Reports to Shareholders:**

  (E.g., "Annual audited financial statements and an annual report will be circulated to all family shareholders. Additionally, a high-level financial performance presentation will be given at the annual Family Assembly.")

- **Financial Education:** It might be useful to mention if the family will educate members on understanding the financials (especially next-gen members who aren't in management).

  (E.g., "The Family Office/finance team will hold an annual workshop to brief family members on how to read the financial statements and discuss the company's financial strategy.")

g. **Family Expenses or Benefits:** *If the business provides any perks to family members (such as company vehicles, travel, etc.), clarify and regulate them.* It's usually best to minimize such perks or ensure they are transparent and approved by the appropriate governing body to avoid resentment. For instance, if a Family Office budget covers certain family expenses, state how that's decided (though typically that would be separate from company dividends). The Family may, however, wish to contribute a percentage of the dividends to a charity, possibly a family charity.

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(E.g., "No personal expenses of family members shall be charged to the company. Any family benefits (if approved by the Board and Family Council) will be clearly disclosed and agreed annually as part of a family budget.")

Note*:* By formalizing the dividend policy, the family can reduce conflicts between those who want immediate returns and those who prefer long-term growth. The approach should reflect the family's **vision** (Section 1): e.g., if the vision emphasizes legacy and growth, reinvest more; if it emphasizes family welfare, ensure reasonable dividends. UAE law does not mandate a specific dividend – it's up to the shareholders – so long as all owners are treated equitably according to share class rights. Also remember tax considerations (currently, UAE has no income tax on dividends for individuals but be mindful if any family members are in other jurisdictions). Transparency and education on financial matters will help keep all family stakeholders aligned and trust in the governance.

6. Conflict Resolution Mechanisms

Notes*:* Even in the most harmonious families, disputes can arise – whether about business strategy, ownership, or personal matters. A hallmark of a strong family constitution is having agreed **mechanisms to resolve conflicts** fairly and efficiently. The UAE Family Business Law explicitly aims to provide dispute resolution mechanisms and even sets up the possibility of formal dispute committees. **Article 19** of the law allows the Family Constitution or MoA to include a provision for a *"board"* (a dispute resolution board) formed of partners or others to reconcile any disputes among family members or between family and the company. If the family fails to resolve a dispute internally within 3 months, the law provides that a government-appointed committee may then step in to settle the dispute. This means it's strongly in the family's interest to handle conflicts internally through an agreed process, before external intervention is required.

International best practices also encourage using mediation or neutral advisors to resolve family conflicts and have a clear escalation path (for example: first, discuss in Family Council; if not resolved, go to mediation; if still unresolved, possibly arbitration or a mutually agreed third-

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party). By specifying this in the constitution, family members know there is a procedure to follow, which can de-personalize and defuse tensions.

Conflict Resolution Plan – please outline:

The Family should determine which of the below options / decisions shall be binding at each level.

a. **Internal Dispute Board or Committee:** Decide if the family will establish a small committee or "conciliation board" to handle disputes. As per **Article 19(1)**, you can create a board composed of a mix of family partners, possibly non-family professionals or advisors, whose job is to hear out disputes and recommend solutions. Will you have such an external committee? If yes, define its composition (e.g., three senior family members or a mix of family and a trusted external advisor) and how it operates.

(E.g., "A Family Dispute Committee shall be formed, comprising the Chair of the Family Council, one elder family member not directly involved in the dispute, and a neutral outside advisor (such as the family lawyer or an agreed mediator). This committee will facilitate dialogue and propose resolutions when conflicts arise.")

b. **Mediation or Arbitration Clause:** Agree on whether serious disputes will be submitted to mediation or binding arbitration if internal efforts fail. Many family constitutions include a clause that family members will **not sue each other in court as a first resort**, but will instead seek mediation, and if that fails, go to arbitration (possibly confidential) or a specialized family business dispute resolution forum. You can reference that the UAE has introduced official Family Business Dispute Committees (by Cabinet Resolution) that can be a venue of last resort. Outline your chosen path.

[*Consider establishing financial thresholds to refer to one dispute resolution forum or another]

(E.g., "If a dispute cannot be resolved by the Family Council or Dispute Committee within 3 months, the parties agree to first attempt resolution through professional mediation. If still

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unresolved, the dispute shall be referred to arbitration under [rules, e.g. DIAC], to avoid public litigation.)

c. **Voting and Deadlock Mechanisms:** Consider including rules for decision-making deadlocks. For instance, if the family shareholders are split on a major decision (50/50), how to break the deadlock? Some constitutions use a buy-sell clause (one party buys out the other) or bring in a trusted advisor's recommendation as a tiebreaker. If relevant to your ownership structure, specify a method. Where clear rules are set out for the aspects set out in the Family Charter, the impact of a Deadlock is lessened, for example if there is already a rule on dividend distribution, this can continue even on Deadlock.

(E.g., "In case of a voting deadlock on a reserved matter that threatens the business, the issue shall be deferred to an independent expert or advisor for recommendation. If still unresolved, shareholders agree that one side may initiate a fair buy-out of the other's shares as per a valuation formula, to avoid destroying value through stalemate.")

d. **Family Council Role in Disputes:** It is often effective that minor disputes or disagreements are first tabled at the Family Council meetings for open discussion. State that family members should attempt to resolve issues collegially via the Family Council before escalating.

(E.g., "Family members with a grievance should first bring the issue to the Family Council, which will provide a forum for discussion and attempt a resolution in the spirit of family unity.")

e. **No Litigation Pact:** Optionally, the family can include a pact that they will not bring lawsuits against one another or the company without following the internal dispute resolution steps. This emphasizes trust and keeps matters private. (Any such clause should be in line with UAE law: serious legal rights can't be waived, but this is more of a moral commitment backed by an arbitration agreement.)

f. **Conflict of Interest Guidelines*:*** *Clarify any rules to prevent conflicts of interest from causing disputes*. For example, if a family member engages in a competing business or exploits a family asset personally – do you prohibit that? Often constitutions have a clause requiring disclosure of conflicts and maybe prohibiting competition by family members without consent. (This also aligns with the manager's duties in law: **Article 16** of the law requires the manager to avoid conflicts and competing with the company. Family members involved in management should stick to similar standards.) Families might include provisions for family members, especially the younger generation, to approach the Family Company first with business proposals. A family can even have a reserve fund to finance business opportunities.

(E.g., "No family member shall engage in a business that competes with the family company without approval of the Family Council. All potential conflicts of interest must be disclosed.

Family members serving as officers or directors in the company have a fiduciary duty to the company first and foremost.")

g. **Heirloom Asset or Estate Disputes:** If the family business owns significant family assets (like real estate, shared vacation properties, etc.), mention how disputes over personal use or division of those will be handled. (Some families spin those off or have usage policies to avoid fights.)

(E.g., "Any dispute over personal use of family-owned properties will be mediated by the Family Council, which will enforce a fair usage roster or rental compensation as needed.")

Note: The goal is to **resolve conflicts internally, fairly, and quickly**, to preserve both family harmony and business continuity. By committing to these processes in writing, family members are more likely to address issues constructively. UAE's framework supports this – if you include a dispute board clause as above, you have up to three months to reconcile a dispute; otherwise, a government-appointed committee may step in. It's better for the family to solve its own problems than to have external parties impose solutions. Also, consider periodic **family team building or counseling sessions** to pre-empt conflicts, and make use of professional family business mediators if needed (this is common in top-tier family governance practices globally).

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Properties which belong to the family (for example the patriarch) might need special consideration as a home for a spouse and/or children.

7. **Succession Planning & Leadership Development**

Notes*:* Succession planning is often the most sensitive and critical aspect of family business governance. It deals with **how leadership and ownership transition from one generation to the next**. A resilient family constitution will outline the principles and procedures for choosing and grooming future leaders, ensuring the business doesn't suffer during generational changes. The **Family Business Law** was enacted largely to *"facilitate the transfer of wealth and management across generations"*. The use of the Family Company will deal with the transfer of wealth, but the transfer of management must be considered.

While the law provides legal tools (like share transfer mechanisms, trusts, etc.), the family must internally decide *who* will take over key roles (Chairperson, CEO, Family Council Chair, etc.) and *how* to prepare them.

Global best practices emphasize starting succession planning early, having open discussions about the next CEO or top manager, and possibly creating a formal **leadership development program** for next-gen family members. The constitution should record any agreed criteria for successors and the process of nominating or confirming them (for instance, some families set up a **Succession Committee** or use the Board to evaluate CEO candidates).

Additionally, consider **emergency succession**: if a leader passes away or is incapacitated unexpectedly, what is the interim plan? Clarifying that can save the business from chaos.

Succession Planning – please address:

a. **Identifying Successors for Key Roles:** *List the key leadership positions in the business and, if agreed, name (or outline how to select) the successors for each.* Key roles may include CEO/Managing Director, Chairman of the Board, and head of Family Council. You might not name a person if it's too early, but you can specify that, for example, the next CEO should preferably be a family member with certain qualifications, or that the most qualified individual will be chosen whether family or not (depending on family philosophy). If the current generation has identified a specific successor (e.g., eldest son or most experienced daughter, etc.), that can be noted as an intention, though subject to review.

(E.g., "The family's intent is that leadership remains within the family. Upon the retirement of the current CEO [Name], the successor should be a family member who has at least 10 years' experience in the company and is approved by both the Board and the Family Council. Currently, [Name of Next-Gen] is being developed for this role.")

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b. **Successor Qualifications:** State any criteria or qualifications for someone to assume a top leadership role (CEO or MD) in the future. This might include education level, track record in the company or outside, leadership qualities, etc.

(E.g., "Any family member to be considered for CEO must have a minimum of a master's degree in business or relevant field and 5 years in a senior management position either within the family company or at a reputable external company, along with demonstrated leadership ability.")

c. **Preparation and Development:** *Outline how the family will prepare the next generation for leadership.* This could involve formal development plans, mentoring by current leaders, rotating through departments, leadership courses, etc. Perhaps assign mentors for identified high-potential next-gen members.

(E.g., "A structured development program will be established: potential future leaders will rotate through key divisions of the company, undertake external executive education (e.g., MBA or family business programs), and receive mentorship from a senior family leader or independent board member.")

d. **Timeline and Retirement:** Discuss if there is an expected retirement age or term limit for the current generation in leadership. Some constitutions encourage the older generation to hand over reins by a certain age or after a transition period, to avoid cling-to-power issues. If

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applicable, mention any agreed understanding (e.g., the current Chairman will retire by age X or after Y years, initiating succession).

(E.g., "We agree that the Group CEO position should normally transition to the next generation by age 65 of the incumbent, to inject fresh vision. The current CEO plans to gradually hand over duties by 2028, subject to readiness of the successor.")

e. **Governance of the Succession Process:** Specify how the succession will be decided and approved. For instance, will the Family Council nominate the next CEO, and the Board formally appoint? Or will the outgoing leader designate someone subject to family approval? Clarify the roles of the Board, Family Council, and possibly shareholders in the succession decision.

(E.g., "The Succession Committee (composed of two-Family Council members and two Board members) will recommend a CEO successor to the Board. The Board's appointment of the new CEO shall be subject to endorsement by the Family Council by ordinary resolution to ensure family buy-in.")

f. **Emergency Succession Plan:** Lay out a contingency plan if a key leader passes away or is incapacitated unexpectedly. For example, identify who would be interim CEO (perhaps the next senior executive or an external advisor) and how the family will convene to confirm a permanent successor along with timelines that reflect the urgency. This prevents a leadership vacuum.

(E.g., "In the event of the unexpected incapacity of the CEO, the COO (or [specific person]) shall assume interim executive duties, and an extraordinary joint meeting of the Board and Family Council will be called within 10 days to decide on immediate succession steps.")

g. **Succession for Family Council/Other Roles:** Mention how leadership transitions in family governance roles will occur. For instance, how is a new Family Council Chair chosen when the current one steps down? This is likely ties to the election/appointment process in Section 3, but reiterate any key points *(E.g., term limits for Family Council members to encourage rotation of leadership).*

h. **Continuation of Legacy and Values:** Succession is not only about roles but also about passing on the family's values and vision (as defined in Section 1). Note any plan to educate the next generation should include instruction about the family legacy and ensure they embrace the family mission. (This can overlap with next-gen onboarding in the next section, but you may underscore it here as well.

(E.g., "The current generation will document and share the history of the business and our family values with future generations. Annual retreats will be held where elders share stories and lessons to prepare future leaders to uphold the family legacy.")

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Note: A well-defined succession plan is perhaps the most important factor in the long-term survival of the family business. Globally, only around 20% of family businesses survive to the third generation, often due to lack of succession planning. By detailing your approach, you increase the odds of a smooth generational handover. Also remember to align this plan with **ownership succession** – as shares pass on via inheritance or trusts, ensure that leadership control is not diluted in ways the family doesn't intend. You may also reference any **buy-sell agreements** here (for example, if some heirs prefer not to be involved, allow room for others to buy their shares). Finally, succession planning is an ongoing process: this Constitution should be revisited as circumstances change (e.g., if the chosen successor leaves or isn't ready, update accordingly).

8. Next-Generation Onboarding & Education

Notes: This section complements succession planning by focusing on the broader integration of the **next generation** (typically the children or young adult family members) into the family enterprise, whether as future owners, leaders, or responsible stakeholders. The aim is to outline how the family will educate, involve, and prepare the next gen for their roles, instilling in them family values and business knowledge. International best practices emphasize early engagement and **structured development programs** for next-gen family members – often including internships at the family company, summer jobs, participation in junior boards or observer roles, and formal family meetings to learn about the business.

Under the UAE framework, nothing prevents the family from involving younger members in governance in creative ways (e.g., a "NextGen Council" that reports to the Family Council or including them in the Family Assembly). By planning this, the family ensures continuity of interest and skill from one generation to the next. Additionally, fostering a sense of responsibility and unity among cousins and/or siblings can reduce future conflicts.

Next-Gen Integration – please consider:

a. **Education about the Family Business:** *Describe how you will educate younger family members (teens, young adults) about the family business, its history, and how it operates.* For example, will you have an annual family business orientation day or a "business summer camp" for teens? Will you use materials like a family history book or have elders give talks?

(E.g., "At age 16, each family member will be invited to visit the company's facilities and attend

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a Family Business Orientation program. The program includes meeting key managers, learning the company's history and values, and basic finance for business. We will also maintain a Family History Album and encourage storytelling by senior members during family gatherings.")

b. **Internships and Summer Jobs:** *Set a policy for offering internships or holiday jobs to college-age family members.* Many families allow this as a way to spark interest and build work ethic – but ideally, they should earn their place (e.g., apply or be subject to performance feedback). Outline the terms (like "must be in good academic standing," "will rotate through departments," and "will be paid a standard intern stipend to keep it professional").

(E.g., "Family members pursuing higher education may apply for summer internships at the company starting at age 18. They will go through the normal HR internship program and will receive feedback on their performance. These internships are to be considered a learning opportunity, not a guaranteed entry into the company.")

c. **Mentorship Program:** Consider assigning each interested next-gen family member a mentor (either a senior family member or a trusted executive) to guide them. Mention if you plan a formal mentorship.

(E.g., "Each next-generation family member who expresses interest in the business will be paired with a mentor (for instance, a Family Council member or a senior non-family executive) who will counsel them on career development and impart business knowledge.")

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d. **Next-Gen Involvement in Governance:** Find ways to involve the next generation in governance early on. For example, some families create a **Junior Board** or let young adults sit in Family Council meetings as observers once they reach a certain age. This builds familiarity and a sense of responsibility. Decide if you want to implement such initiatives.

(E.g., "A NextGen Committee shall be formed, consisting of family members aged 18–30, which will meet bi-annually to discuss new ideas and perspectives. One [or more] representative from this NextGen Committee may attend Family Council meetings as a non-voting observer, to learn and contribute youth insights.")

e. **Education and Training Support:** State whether the family or Family Office will support next-gen members in obtaining education or training relevant to the business *(E.g., funding an MBA or workshops on family business leadership).* If so, mention criteria (like the individual must commit to working in the business for X years after, etc.).

(E.g., "The family will sponsor one suitable next-generation member per year for a reputable Family Business Management course or an MBA, provided they have demonstrated commitment to joining the business. Sponsored individuals are expected to work in the company for at least 2 years post-graduation.")

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f. **Values and Philanthropy Involvement:** Often, involving the next generation in **philanthropy or social initiatives** of the family is a good way to instill values and unity. Mention if the family has charitable projects that the next gen can lead or participate in (which also prepares them for leadership in a non-business context).

(E.g., "Next-gen members are encouraged to join the Family Charity Committee to organize our annual charity drive. This instills our value of community service and provides leadership experience.")

g. **Evaluation of Interest:** Acknowledge that not all next-gen members may want to join the business. State that it's acceptable for family members to pursue other careers, and how you'll keep those who are not in the business engaged as informed owners (perhaps through the Family Assembly, continued education on ownership responsibilities and access to information as set out herein).

(E.g., "Family members are free to choose their own career paths. Those who do not work in the business are still welcome to participate in the Family Assembly and will be kept informed as shareholders. We will hold an 'Owners 101' session for those who remain only in an ownership capacity, to explain their rights and duties and the company's strategy.")

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Note*:* By proactively engaging the next generation, the family business builds a pipeline of future leaders or at least responsible shareholders. This reduces the risk of apathy or infighting among cousins when they eventually inherit ownership. It's also an area where **international firms** often advise families to invest time and resources – through formal programs or family retreats focused on the next gen. Since the UAE law now allows the family to create binding governance and even recommends training family members, this section puts that into practice. Encouraging open communication between generations will cultivate mutual respect: the younger members feel heard and groomed; the elders feel confident handing over the keys when the time comes.

9. Treatment of International Assets & Branches

If this section does **not** apply to your family business structure, operations, or future intentions, you may **disregard the questions below**. However, we recommend discussing the potential relevance before disregarding any part of this guide, as certain provisions may become applicable in future restructuring, succession, or expansion scenarios.

Notes*:* In today's globalized economy, many UAE family businesses hold assets or operate subsidiaries abroad. This section addresses how the family constitution will apply to **international assets or business branches in other jurisdictions**. The goal is to ensure that the family's values and governance approach are consistent globally, while also recognizing that different countries have different legal requirements.

For example, the family might own a property portfolio in Europe, a trading arm in another GCC country, or an offshore holding company for investments. These might not automatically fall under UAE's Family Business Law or might be subject to other corporate governance rules. However, the family can still include them in the *scope* of the family constitution by stating that the same family agreements (on ownership, decision-making, etc.) extend to those entities to the maximum extent permitted by foreign applicable laws. The family may also need special structures (like trusts, foundations, or holding companies) to manage international assets efficiently (for example, with regard to tax) and in a Sharia-compliant manner.

International Considerations – please outline:

a. **List of International Assets/Entities:** Identify the key family-owned assets or companies outside the UAE that are to be governed by this family protocol. (E.g., "ABC LLC (UK), 100% owned by the family" or "Real estate property in London held via XYZ Holding Ltd."). This creates an inventory of what falls under the family governance umbrella.

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(For confidentiality, you might list categories rather than exact names in this public document, but internally the family should know all these assets.)

b. **Ownership Structure Abroad:** Clarify how these international assets are held and how the ownership ties into the family. For example, maybe the UAE parent company holds them, or individual family members hold shares directly overseas. Understanding this helps ensure the constitution's rules on ownership (Section 2) are mirrored appropriately abroad. If needed, the family might decide to consolidate ownership of international assets into a single holding company (possibly a family holding company in a jurisdiction like DIFC, ADGM, or offshore) to align with the constitution. Indicate any plans or principles here.

(E.g., "All international real estate investments are held through a family holding company registered in [Jurisdiction], which is in turn owned by the same family members in proportion to their ownership of [the main family company]. The family will strive to consolidate any new foreign investments under this holding structure to maintain central oversight and alignment with our family governance.")

c. **Governance of Foreign Operations:** State how governance policies will apply to foreign branches or companies. For instance: will the Board of the UAE parent also oversee foreign subsidiaries? Or will there be local boards with some family representation? Ensure that any family member directors or officers in those entities are accountable to the same Family Council/Board.

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(E.g., "Our overseas operating companies will adopt governance practices consistent with this Constitution. The Family Council shall approve the appointment of family representatives on the boards of international subsidiaries, and major decisions (such as sale of a foreign asset) shall require the same family approvals as equivalent decisions for domestic assets.")

d. **Legal and Sharia Compliance Abroad:** Acknowledge that foreign jurisdictions may have different inheritance laws or business laws. For example, if a family member owning shares in a foreign company passes away, local inheritance law might apply (which could differ from Sharia if the asset is in a non-Muslim country). The family should commit to taking advice in the relevant jurisdiction(s) and structuring ownership or estate plans to remain Sharia-compliant to the fullest extent possible globally. This might involve using *Islamic wills for assets abroad* or holding assets via UAE entities/trusts so that UAE (Sharia) law can apply.

(E.g., "The family will seek to structure international holdings in a Sharia-compliant manner. Where local laws differ, we will use mechanisms (like placing assets in a UAE or DIFC trust or foundation) to ensure that upon a family member's death, those assets are distributed in line with our Sharia inheritance principles and the family's continuity plans.")

e. **Communication and Reporting:** Decide how information about international assets will be reported to the family. Just as with domestic operations, transparency is key. Perhaps the Family Office or a designated "International Investments Committee" will report on the performance of overseas assets annually to the Family Council or Assembly.

(E.g., "The Family Office will provide an annual report on all international assets, including financial performance and any compliance issues, to the Family Council. In the Family

Assembly, a summary of our global investments will be presented so all members are aware of our worldwide portfolio.")

f. **Cultural and Management Considerations:** If the family business has branches in different countries (with different cultures and regulations), mention that the family values and policies should be upheld by family members working or overseeing those branches. Family representatives abroad should act as ambassadors of the family's ethos. Also, any family member working in an international branch should abide by the same employment criteria and evaluations set in Section 4.

(E.g., "Family members assigned to manage overseas operations must adhere to this Constitution just as they would in the UAE. They should respect local customs and laws but also serve as role models for our family's values in those locales. The Family Council will periodically visit or check in on foreign branches to ensure alignment and support the teams there.")

g. **Exit/Transfer of International Assets:** If the family contemplates selling or transferring any international asset, clarify that the decision-making and sharing of revenue will follow the same protocols *(E.g., requiring family approval similar to selling a local asset or business line)*. This ensures no single branch is sold without a family consensus.
(E.g., "The sale of any international property or subsidiary valued above AED X or constituting a significant part of the family's assets shall require approval of [appropriate level – e.g., the Family Council and a supermajority of family shareholders], as it would for domestic assets.")

Note: Essentially, this section extends the reach of your family governance to a global scale. It recognizes that while the **Family Business Law (No. 37/2022)** provides a framework mainly for UAE-registered companies, the spirit of the law – keeping family ownership and smooth succession – should apply to your whole enterprise worldwide. Many leading families use holding companies or trusts in financial centers (DIFC/ADGM or overseas) to manage international assets; if you do so, ensure the founding documents of those structures echo the family agreement (you might even append this Constitution to trust deeds or shareholders' agreements abroad). Always seek legal advice in each jurisdiction to ensure compliance. The key is that all family members know that no matter where an asset is, it's part of the *one family enterprise* and will be governed and eventually passed on according to the unified family protocol.

10. Conclusion & Next Steps

By completing the above sections, the family will have the blueprint of a comprehensive Family Constitution that aligns with UAE law, Sharia principles, and global best practices. Ensure that nothing in the document conflicts with the company's Memorandum of Association or applicable laws (per **Article 6(3)** of the Family Business Law, any conflicting charter provision would be invalid). Once finalized, the Family Constitution should be formally approved as required – **Article 6(4)** specifies approval by a majority of the Family Council or, if no council exists, by a majority of family shareholders. It is advisable to have all adult family members sign the constitution as a sign of their commitment.

In accordance with **Ministerial Resolution No. (106) of 2023** on Filing the Family Charter in the Register, you may choose to file a copy of the completed Family Charter with **the Ministry of Economy's Family Business Register** for added recognition. Registering can confer potential benefits under the Family Business Law framework (such as access to dispute resolution committees or other support). If confidentiality is a concern, **Article (3)** of the Resolution allows the family to designate the Charter as **"confidential"** upon submission, ensuring its contents are treated accordingly by the Ministry.

Finally, note that **the true value of this Family Constitution lies not just in the document, but in the process** the family undertook to create it. Through discussing vision, rules, and plans together, you have hopefully strengthened family unity and clarified expectations. Going forward, all family members – present and future – should be educated about the existence of

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this protocol and why it's important. It can be your family's touchstone for governance, helping resolve questions by referring to what was mutually agreed in calmer times.
By adhering to the principles and frameworks set out here, the family business will be well-positioned to thrive across generations, with stability, harmony, and compliance with UAE's progressive family business legislation. **Article 1** of Federal Decree-Law 37/2022 encapsulates the intent: to *"regulate ownership and governance of family companies, support their continuity across generations, provide dispute resolution mechanisms, and enhance their economic contribution"*. This family constitution is a major step toward realizing those goals within your own family enterprise.

Sources: Relevant provisions have been cited from Federal Decree-Law No. 37 of 2022 (UAE Family Business Law) and associated commentary for ease of reference. Further guidance and best practice insights were drawn from international family business governance literature and advisory publications. (See inline citations above for specific references).

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