

Corporate Governance

Telecom Egypt is committed to best practice in the area of corporate governance, working to ensure the integrity and sustainability of its business operations at all times. Our main corporate governance and board practices during the 2005 financial year are described in this section.

Our Board regularly reviews and updates our corporate governance practices as developments occur within the marketplace, our business and to internationally recognised governance standards. We are guided by the corporate governance principles presented by the Arab Republic of Egypt Capital Markets Authority, ensuring that the highest standards of corporate governance throughout our organisation are consistently maintained.

The Board of Directors

Role and responsibility of the Board

Telecom Egypt's Board of Directors is responsible to shareholders for the overall strategy of the Company, its governance and performance. The Board manages the Company's business and affairs and decides on matters other than those that must be determined by shareholders. The Board's role includes:

- providing strategic direction to the Company by working closely with management to determine, monitor, develop and modify our strategy and performance targets
- approving the annual budget for the Company and other significant business decisions
- reviewing and approving statutory accounts and overseeing our financial position
- issuing recommendations to the General Assembly concerning our capital, including capital restructures, expenditure and dividend policy
- monitoring the integrity of internal control and reporting systems

The Company's daily business affairs are managed by six Vice Chair Persons who are appointed by the Chairman of the General Shareholder Assembly.

Board membership, size and composition

As per the Company's bylaws, the Board of Directors is composed of eleven members: three of which are to be Independent Directors elected by the General Assembly, one that is to be an employee representative elected by the Company's Labor Syndicate and seven that are to be appointed by a decree of the Prime Minister upon recommendation from the Ministry of Communication and Information Technology (MCIT).

The Amended Statutes provide that meetings of the Board of Directors are to be held at least four times a year. A quorum of the Board of Directors requires the presence of at least a majority of its members. Each member has one vote. The Board of Directors passes resolutions by at least a simple majority vote of those members present and/or represented at the meeting. In the event of a tie, the chairman casts the deciding vote.

The Board of Directors is chaired by the Chairman of the Board of Directors and Chief Executive Officer and is comprised of three additional Executive Members, six Non-Executive Members and one Employee Representative Member.

All current members of the Board of Directors of the Company have been appointed by the Prime Minister on the recommendation of MCIT. The Company intends to hold an ordinary General Assembly and all members of the Board of Directors of the Company will come up for election and the procedures set out in the Amended Statutes outlined above will apply with respect to the nomination and election of these members.

Board of Directors

(Biographies available under "To Our Shareholders" section)

Akil Hamed Beshir, Chairman

Azza Mohamed Torky, Executive Member

Ali Gamal El Din Salama, Executive Member

Mohamed Abdel Rehim Hassanein, Executive Member

Mokhtar Abdel Moneim Khattab, Non-Executive Member

Bahaa El Din Helmy, Non-Executive Member

Moataz Kamel Morsy, Non-Executive Member

Adel Rashad Danash, Non-Executive Member

Sayed Mohamed El Prince, Non-Executive Member

Amr Abdel Kader Hashem, Non-Executive Member

Farghaly Bakry Seleem, Employee Representative Member

Committees of the Board

The Board committees assist the Board in the fulfilment of its responsibilities. The role of Board committees is to advise and make recommendations to the Board. There are three standing committees:

- Audit Committee
- Remuneration Committee
- Investment Committee

A description of the role and composition of each committee is provided below. Following each meeting, the Board receives a report from the committee on the activities and performance of the relevant committee.

Audit Committee

Telecom Egypt has an Audit Committee composed of three members, at least two of whom must be Independent Directors. The Audit Committee is charged with monitoring the efficacy of internal audit procedures, internal controls and the performance of outside auditors, as well as reviewing and discussing with management all audit reports, financial statements and annual reports to shareholders. The Audit Committee additionally presents periodic reports and recommendations to the Board of Directors regarding the foregoing matters.

Remuneration Committee

Telecom Egypt, under the Amended Statutes, is required to have a Remuneration Committee comprised of at least two Independent Directors. The role of the Remuneration Committee is to review and approve corporate goals and objectives relevant to compensation of the executive directors and senior management. The Remuneration Committee is required to evaluate each individual's performance in light of these goals and to make recommendations to the Board of Directors with respect to incentive and equity-based compensation plans.

Investment Committee

The Company has an Investment Committee composed of three members, one of which is required to be an Independent Director. The Investment Committee is charged with developing and recommending to the Board policies relating to the Company's investments and also for overseeing the implementation of these policies.

The General Assembly

Role and Responsibility of the General Assembly:

The Company's annual Ordinary General Assembly convenes at least once every year within three months following the end of the fiscal year to consider the following:

- 1- the Auditor's report;
- 2- the report of the Board of Directors;
- 3- approval of the financial statements;
- 4- approval of the distribution of dividends;
- 5- to determine the members of the Board of Directors' remuneration and allowance;
- 6- to appoint the auditor and determine his fees;
- 7- to elect the Board of Directors as necessary;
- 8- extension of the appointment of the Chief Executive Officer and the Deputies of the Chief Executive Officer over the age of 60.

In addition to the above-mentioned matters, the Company's Ordinary General Assembly is responsible for the following:

A. With respect to the Company's Financial Matters the Ordinary General Assembly reviews such matters as:

- 1- suspending the setting aside of the legal reserve if it reaches half the amount of the Company's issued capital;
- 2- formation of other reserves aside from the legal reserve and the statutory reserve;
- 3- use of the statutory reserve for the benefit of the Company or its shareholders;
- 4- transacting on the reserves and provisions;
- 5- approval of the distribution of a share of net profits realized by the Company as a result of the sale of one of its fixed assets or compensation therefore;
- 6- approval of the issuance of bonds and the guarantees given to the bearers of such bonds;
- 7- review of the decisions and recommendations of the group of bondholders;
- 8- authorizing the founders and the members of the Board of Directors to enter into bilateral contracts with the Company;
- 9- authorizing the Board of Directors to make donations.

B. The Ordinary General Assembly also looks into other matters pertaining to the Company's Board of Directors including:

- 1- discharging the Board of Directors or one of its members and bringing a liability claim against them;
- 2- discharging members of the Board of Directors that have repeatedly failed to attend meetings of the General Assembly and electing other members to replace them;
- 3- applying a monetary fine against members of the Board of Directors that fail to attend the General Assembly without an acceptable excuse for their absence;
- 4- authorizing the Managing Director to hold the position of managing director in another company;
- 5- authorizing a member of the Board of Directors to carryout a technical or administrative position in another joint stock company on a permanent basis;
- 6- authorizing a member of the Board of Directors to trade for his own account or for the account of another individual in the Company's field of activity;
- 7- carrying out management actions that the Board has failed to review due to an incomplete quorum;
- 8- approval of any decisions issued by the Board of Directors;
- 9- issuing recommendations with regards to matters within the authority of the Board of Directors.

C. Other responsibilities of the Ordinary General Assembly Pertaining to the Auditor and Liquidation of the Company include:

- 1- looking into changing the Company's auditors throughout the course of the fiscal year;
- 2- looking into discharging the Company's auditors and bringing liability claims against them;
- 3- looking into the auditor's report in the event that he is incapable of fulfilling his duties;
- 4- appointing liquidators and defining their fees and discharging the liquidators;
- 5- extension of the time period set for liquidation upon inspection of the liquidators report;
- 6- looking into the temporary accounts submitted by the liquidator every six months;
- 7- approving the final liquidation account; and
- 8- specifying the place in which the Company's files shall be stored after the Company has been stricken off from the Commercial Registration Authority.

The Company's Extraordinary General Assembly Meeting is concerned with amending the Company's Statutes, particularly the following:

- 1- an increase or decrease of the capital of the Company;
- 2- liquidation of the Company prior to expiry of its term;
- 3- amendment of the objectives of the Company;
- 4- the merger of the Company with any other company or legal entity;