



Date: 18 March 2025

Reference No: ESX-01-0556

**To: All Shareholders of the Ethiopian Securities Exchange Share Company**

Dear Shareholders,

The Ethiopian Securities Exchange (Exchange/ESX) is at the forefront of Ethiopia's capital market ecosystem, with its Board of Directors playing a pivotal role in ensuring the Exchange duly performs its role as a Self-Regulatory Organization (SRO) while maintaining sustainable business operations. To succeed in this dual mandate, the Board must have the requisite expertise and experience to ensure the Exchange operates in strict adherence to regulatory requirements and to guide the launch of innovative market products.

It is recalled that on 11 January 2025 the Ethiopian Securities Exchange General Meeting of Shareholders has established an Ad hoc Board of Directors Nomination and Election Committee ("Committee") to oversee the nomination and election process for the Board of Directors.

Following the election, the Committee has been actively working to establish a transparent process for the nomination and election of the Board of Directors. The Committee has now started to accept nomination for a total of eleven (11) Board of Directors seat, and the seats are divided into three (3) categories, each with specific nomination criteria:

**1. Nomination Category**

**A. Category One:**

- **3 (three) Board seats** are reserved for non-influential shareholders who hold less than 2% of ESX's capital.
- Only shareholders holding less than 2% of ESX capital are eligible to nominate candidates for this category.
- Each minority shareholder can nominate only one minority shareholder, which can include themselves.

**B. Category Two:**

- **4 (four) Board seats** are reserved for shareholder directors.
- These directors will be nominated and elected by all shareholders. Each shareholder can nominate only one shareholder for this category.
- Nominees must be shareholders, and each shareholder may nominate one candidate, which can include themselves. If a shareholder nominates itself, it must submit the CV of the individual who will serve as their representative on the Board.

**C. Category Three:**

- **4 (four) Board seats** are reserved for independent directors.
- These directors will be nominated and elected by all shareholders. Each shareholder can nominate only one individual for this category.

Phone: +2519 5212 0031

Email: info@esx.et

PO Box: 12101

www.esxethiopia.com



Address: Nile Insurance  
HQ Bldg, 16-18 Floors.

- An independent director is defined as someone with no family or business relationship with any shareholder. As a guideline, shareholders can use the following criteria to evaluate whether the individual meet the requirements for independence:

- **Family Relationships:** a nominee for independent director must not be related by blood or by legal ties, such as being a parent, spouse, sibling, child, or child's spouse of a shareholder or c-suite executive of a shareholder or ESX.
- **Shareholding or Employment:** A nominee for independent director must not be a current employee of a shareholder or ESX, nor have held a C-suite position in the past three years in a shareholder or own more than 0.5% of the shares in a shareholder.
- **Professional Service:** A nominee for independent director must not be an auditor of ESX or a shareholder or is currently providing professional service to a shareholder or have provided professional, legal or financial advisory services to a shareholder in the past three (3) years for an amount equal or above 500,000 Birr over that period.
- **Business Relationship:** A nominee for independent director must not be in any business relationship with a shareholder that could compromise his/her independent of judgment. This includes but not limited to activities such as extending loans or guarantees, providing asset as a collateral or providing financial assistance.

## 2. Nomination Process

You may nominate one individual or company for the category you are eligible to nominate for. If nominating a company, you must also provide the name of the individual who will represent the shareholder on the Board, along with their educational background and work experience.

The nominees must fulfill the following minimum requirements:

### A. Minimum Nominee Requirements as per ESX amended Memorandum of Association (MoA)

- **For Categories 1 and 2:**
  - A minimum of a first degree or equivalent from a recognized higher education institution.
  - At least seven (7) years of work experience in fields such as economics, finance, accounting, business administration, law, management, information technology, or other relevant disciplines.
- **For Category 3:**
  - A minimum of a master's degree from a recognized higher education institution.
  - At least twelve (12) years of work experience in fields such as economics, finance, accounting, business administration, law, management, information technology, or other relevant disciplines.

### B. Minimum Nominee Requirements as per the Ethiopian Capital Market Authority (ECMA) regulation

All nominees must meet the Ethiopian Capital Market Authority's (ECMA) fit and proper criteria, which include:

- No conviction for offences related to fraud, theft, dishonesty, financial misconduct, or market abuse.
- No prior adjudication of misconduct in the financial sector by any relevant administrative authority.
- No history of bankruptcy or liquidation.



- No disqualification or expulsion from membership in any professional or trade association, or revocation of a license for cause.
- No expulsion from a securities exchange or over-the-counter trading membership.
- No incapacity due to mental or physical illness.

### C. Requirement as per ESX Corporate Governance Code

Furthermore, in accordance with the ESX Corporate Governance Code, a director must not serve on the board of a company licensed by ECMA as a broker/dealer or investment bank dealing in securities.

### 3. Nominee Shortlisting Process

For nominees who meet the minimum requirement outlined in Section 2 of this letter, the Committee will evaluate their suitability using the following key metrics:

No.	Criteria	Score	Explanation
1	Educational Background for Category 1 and 2	30%	<ul style="list-style-type: none"> <li>• BA Degree: 20%</li> <li>• Master's degree: 25%</li> <li>• PhD: 30%</li> </ul> <p>In relevant fields such as economics, finance, accounting, business administration, law, management, information technology, or other relevant disciplines.</p>
	Education Background for Category 3	30%	<ul style="list-style-type: none"> <li>• Master's degrees in relevant fields: 25%</li> <li>• PhD: 30%</li> </ul> <p>In relevant fields such as economics, finance, accounting, business administration, law, management, information technology, or other relevant disciplines.</p>
2	Work Experience	40%	<p>A nominee with relevant sectors/department level experience will be scored based on years of experience:</p> <ul style="list-style-type: none"> <li>• 7 years to 9 years, 11 months and 29 days : 25%</li> <li>• 10years to 14 years, 11 months and 29 days: 30%</li> <li>• 15 years to 19 years, 11 months and 29 days: 35%</li> <li>• Above 20 years, 40%</li> </ul> <p>Relevant sectors include but not limited to financial management, information technology management, legal consulting, economic consulting, policy development or financial advisory, portfolio management investment banking, or accounting.</p>
3	Board/Leadership Experience	5%	<p>Nominees with higher level management or board-level experience in public or private companies (with a capital of 100 million or above) will be scored as follows</p> <ul style="list-style-type: none"> <li>- Manager: 2.5%</li> <li>- Senior manager: 3.5%</li> </ul>



*[Handwritten signature]*

			- Chief (C-suit) or members of a Board of Director: 5%
4	Gender	5%	Women candidates will receive 5% additional points to encourage gender diversity and ensure diverse perspectives on the Board.
5	Diversity	5%	Candidates with diverse professional and educational background will receive additional points. This encouraged diverse viewpoints on the Board.
6	Relevance to Securities Exchange Operation	5%	The Committee will evaluate the nominee's overall work and educational background scoring up to 5% based on relevance to the ESX's operation. This includes, for example, a previous experience in capital markets both in Ethiopia and abroad.

If nominees remain tied after applying the above criteria, the Committee will vote to determine the final shortlist. This decision will be made by a majority vote among Committee members. If the committee reaches a voting deadlock (i.e., an equal number of votes for two or more nominees), the nominee nominated by the shareholder(s) holding the highest share capital in ESX will be given priority and shortlisted.

After the shortlisting process, the Committee will submit the following shortlisted candidates to the General Meeting of Shareholders for election:

- a) Up to 6 nominees for the 3 Board seats reserved for non-influential shareholders, to be elected by non-influential shareholders.
- b) Up to 8 nominees for the 4 Board seats reserved for election by all shareholders.
- c) Up to 8 nominees for the 4 Board seats reserved for independent directors, to be elected by all shareholders.

#### 4. Submission of Nominations:

Please complete **Form(s) attached with** this letter and submit the nomination form **by 18 April 2025 before 11:59 PM** via [bnec@esx.et](mailto:bnec@esx.et) and send it to ESX head office located at 18th floor of Nile Insurance Building located in Mexico in front of Awash Bank HQ or next to Nib Bank HQ, Addis Ababa, Ethiopia by a duly signed letter. Kindly request confirmation of receipt for your nomination form.

We appreciate your attention to this matter and look forward to your active participation in this important process.

Warm regards,



Ad-hoc Board of Directors Nomination and Election Committee

