

Corporate Governance Report

Corporate Governance Report 2015

Al-Safat Investment Company ("Safat" or the "Company") complies with and implement the Corporate Governance regulations applicable in the State of Kuwait. The Company's Board of Directors «BOD» assumes such responsibility by adopting the best practices and mechanisms and updating the in-house policies and procedures. BOD, which is comprised of seven members, developed and approve the Company's new organization structure that outlines the responsibilities, authorities and the various reporting lines, and regulate the relationship between the shareholders, BOD, Executive Management and the stakeholders. In addition, charts of BOD Committees have been approved to monitor the implementation of the best practices. Such charts cover the duties and responsibilities of the committees and the Executive Management, and include the Code of Conduct and Ethics and the internal policies. BOD also developed the financial, administrative and operating authorities including those of the Executive Management, BOD Committees and BOD.

The Company pay its most attention to Corporate Governance principles such as trust, transparency, accountability, supervision and ethics practice of which creates a sound culture in the Company.

I. BOD Duties

The Company's BOD is entrusted with the strategic guidance and oversight through reviewing and approving the various policies and procedures whether directly or with assistance of its committees that shall be activated once a new BOD is elected to include independent directors in conformity with the provisions of the Executive Regulations of the Law No. 7/2010 (Module 15 "Corporate Governance") and the amendments thereof issued by Capital Markets Authority to ensure compliance with specific standards and, hence, minimize the risks the Company may expose to. BOD has wide powers and authorities to manage the Company and ensure the good conduct of business and, eventually, realize the main objective, which is protection of the shareholders' rights.

BOD strives to implement all the applicable regulations and requirements and lay down the Corporate Governance rules such as strengthening transparency and equal treatment, enhancement of oversight and audit procedures, minimizing the conflict of interests, promoting the professional behaviors and the other rules that contribute to the growth of the Company and achievement of its goals. To this end, BOD has approved the charts of Corporate Governance Committee, Nomination & Remuneration Committee and Audit & risk Management Committee, Code of Conduct & Ethics, rules of transparency, disclosure and dealing with stakeholders and whilst-blowing procedures.

II. BOD Composition

In accordance with Article 14 of the Company's Articles of Association, the Company's BOD is composed of 7 members elected by the general assembly of the Company's shareholders. The Chairman and Vice Chairman are selected by secret ballot. The Company ensures segregation of duties between the Chairman and Chief Executive Officer of the Company.

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III. BOD Members

Members of the Company's BOD are:

Sr.	Name	Position
1.	Mr. Abdullah Hamad Al-Terkait	Chairman
2.	Mr. Fahad Abdul Rahman Al-Mukhaizeem	Vice Chairman
3.	Mr. Meshal Ahmad Al-Jarki	Board Member
4.	Mr. Abdul Mohsen Sulaiman Al-Meshan	Board Member
5.	Mr. Naser Bader Al-Sharhan	Board Member
6.	Mr. Abdul Razzaq Zaid Al-Dhebian	Board Member
7.	Mr. Abdul Mohsen Abdulaziz Al-Sarawai	Board Member

On 23 April 2014, BOD held its meeting No. 2 of 2014 and elected Mrs. Khawla Mohammad Awadh Kandeel to act as the Board Secretary.

IV. BOD Duties & Responsibilities

BOD duties and responsibilities include:

1. Approve the Company's targets, strategies, plans and policies.
2. Approve the annual budget and the interim and annual financial statements.
3. Oversee the capital expenditures and asset acquisition and disposal thereof.
4. Ensure compliance with the internal policies and procedures as well as the bylaws.
5. Approve effective channels of communication with the Company's shareholders on a continuous and regular basis to keep them updated with the Company's preliminary activities and any other development.
6. Validate a Corporate Governance System, oversee implementation thereof and monitor its efficiency.
7. Ensure that the Company's policies and procedures are clear and transparent in a manner that facilitate the decision-making process, abidance by Corporate Governance rules and segregation of duties and authorities between BOD and Executive Management.
8. Set out the authorities entrusted to the higher management, decision-making procedures and term of authorization.
9. Monitor and oversee the performance of the Executive Management.
10. Categorize the remuneration and compensation of employees subject to approval of Nomination & Remuneration Committee.
11. Appoint or dismiss the executive managers and the Chief Executive Officer in line with the approved matrix of authorities.
12. On a regular basis, ensure that the internal control systems are efficient and adequate.

V. BOD Committees

In carrying out its duties, the Company's BOD is supported by three committees. Each Committee has roles, responsibilities and authorizes approved by BOD. Duties and responsibilities of each Committee should be documented in a chart that sets out the terms of reference of such Committee. All Committees are comprised of non-executive BOD members holding the relevant experiences. These Committees are:

A. Audit Committee "AC"

AC assists BOD in discharging its responsibilities in terms of verifying compliance with the auditing standards, implementation of the Company's various policies and identification of the weaknesses and taking the corrective actions.

- AC Formation:

AC is formed once a new BOD is elected, provided that the Company's BOD should include independent members in accordance with the provisions of the Executive Regulations of the Law No. 7/2010 (Module 15 "Corporate Governance") and the amendments thereof issued by Capital Markets Authority.

- AC Roles & Responsibilities:

1. Review and approve the interim and annual financial statements and the external auditor's report before presenting the same to BOD for final approval to ensure integrity and transparency of the financial reporting.
2. Ensure the adequacy and coverage of external audit scope and independence of the Company's external auditor, and strive not impair such independence and ensure the sound coordination for external audit works.
3. Review the feedback of the external auditors on the Company's financial statements and follow the related corrective actions.
4. Review the accounting principles and policies, and examine any change that may affect the Company's financial position and identify any reasons for such changes.
5. Review and approve the annual plan of internal audit.
6. Oversee the internal auditing, and review and approve the scope and frequency of internal audits.
7. Review the internal audit reports of the various departments, discuss the observations, take the corrective actions, identify the responsible persons and set the timeframe for implementation.
8. Verify adequacy and efficiency of the internal control systems including the strategies, policies and procedures as well as the sound practices for the management and monitoring the various risks, and ensure implementation of the same.
9. Follow up implementation of the agreed upon corrective actions as per a preset timeframe.
10. Review the reports of the regulatory bodies and ensure that the necessary actions have been taken.
11. Review the reports of Shari'a Supervisory Board before presenting the same to BOD for approval.
12. Review and initially approve the policies and procedures of the internal audit.

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13. Ensure compliance of the relevant legislation.
14. Nominate, appoint, dismiss or replace the internal auditor, fix his remuneration and evaluate his efficiency.
15. Submit recommendation to BOD of appointment, reappointment or replacement of the external auditors as per list of external auditors approved by CMA and fixing their fees.
16. Review the transactions with the related parties and raise a recommendation thereon to BOD.
17. Hold regular meetings with the external auditor and at least four times a year with the internal auditor and whenever requested by the Committee.

B. Risk Committee «RC»

BOD Risk Committee is responsible for reviewing and monitoring the risks to which the Company is exposed, risk management strategy, risk appetite and the related controls to minimize such risks, setting the levels of risk tolerance against the expected rewards and raising the related recommendations to BOD.

- RC Formation:

RC is formed once a new BOD is elected, provided that the Company's BOD should include independent members.

- RC Roles & Responsibilities:

1. Prepare and review the risk management policies and strategies subject to BOD approval, and ensure implementation thereof and their relevance to the Company's size of activities.
2. Verify adequacy and efficiency of the internal control systems including the strategies, policies and procedures as well as the sound practices for the management and monitoring the various risks, and ensure implementation of the same.
3. Ensure sufficiency of resources and systems for risk management, review the organization structure of risk management, raise the related recommendations for BOD approval and ensure that department personnel have the full understanding of risks and they work independent of the operating activities.
4. Assist BOD in defining and assessing the accepted level of risks, evaluate the systems and mechanisms for defining, measuring and following up the various types of risks.
5. Review the risk assessment reports and the procedures taken to minimize or address such risks within the approved levels of risks against the expected rewards.
6. Review the observations raised by RC that may affect risk management.
7. Review and initially approve the risk management policies and procedures.
8. Carry out any other task assigned by BOD in accordance with the approved matrix of authority.

C. Nomination & Remuneration Committee «NRC»

NRC is responsible for reviewing the remuneration plan of the Company, overseeing development of succession plan and submitting recommendations on the remunerations of the Executive Management. NRC also reviews the annual remunerations of the executives and present the same to BOD. In addition, NRC nominates candidates for BOD membership, train the new directors and enhance the awareness of BOD directors. The other responsibilities of NRC include supervising evaluation of the performance of BOD and its Committees and coordinating with Compliance Unit and Audit Committee to facilitate their works.

- NRC Formation:

NRC is formed once a new BOD is elected, provided that the Company's BOD should include independent members.

- NRC Roles & Responsibilities:

1. Prepare and develop provision and remuneration policy for BOD directors in line with the applicable laws and based on BOD recommendations subject to the approval of the ordinary general assembly.
2. Prepare and develop provision and remuneration policy for BOD Committee members.
3. Setting the remuneration categories such as fixed payment, performance related payment, share-based payment and end of service termination benefits.
4. Supervise preparation of the policy relating to remuneration payment, promotion, increments, benefits, bonus and salaries of the Executive Management and staff.
5. Ensure that remuneration is paid in accordance with the Company's policy, review the related policies on a regular basis to ensure that they are effective and help achieve the preset targets, e.g. attracting good candidates and retaining the competent staff.
6. Prepare a detailed annual report on the remuneration of BOD members and Executive Management to be presented to the general assembly for approval.
7. Initially approve the annual manpower plan and recommendations of the Executive Management and present the same to BOD for final approval.
8. Initially approve the executive rotation plan and present the same to BOD for final approval.
9. Prepare the job descriptions for the executive and non-executive directors and independent directors.
10. Propose the nomination and re-nomination of the independent directors to be elected by the general assembly, and ensure that such director is and shall be always independent.
11. Submit the recommendations to BOD for filling the vacant positions in the Executive Management and the other leading positions as per the approved policies and procedures, provided that these should not contravene the applicable laws and regulations.

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12. Ensure the nomination of the best candidate in terms of efficiency, experience and ability to carry out the assigned duties of any post at the highest levels.
13. Supervise preparation and setting the Company's needs of competent personnel for the Executive Management and the other positions, bases of selection, recruitment process and terms of contract with the employees who are directly reporting to executives and their deputies, amendments to employment contracts and renewal thereof and/or staff service termination/resignation.
14. Setting the strengths and weaknesses in BOD through the self-assessment and recommend the necessary corrective actions in the best interests of the Company.
15. Supervise preparation of the training plan for all the Company staff and monitor implementation thereof.
16. Approve the grading system and salary structure.
17. Carry out any other task assigned by BOD in accordance with the approved matrix of authority.

VI. Code of Conduct & Ethics

BOD strives to strengthen the professional standards and values that promote integrity in the Company, as a whole, and among the members of the Executive Management and staff. The Group's Code of Conduct & Ethics highlights the morals and ethics that the stakeholders should follow in carrying out the Group's business. This Code specifically includes BOD, Group staff and the other stakeholders.

VII. Related Party Transactions

Related Party Transaction Policy sets out the guiding principles for making and managing the related party transactions between the Company and BOD members, subsidiaries/associates, any other related party, Executive Management or staff including financing and other commercial transactions. This Policy, overall, complies with the regulatory requirements and the international financial reporting standards.

VIII. Conflict of Interests

BOD is entrusted with monitoring and managing any conflict of interest including abuse of the Company's resources and misuse of the powers and authorities. This Policy includes guidelines on how the various types of conflict of interest is identified, reported and minimized or avoided including the rules relating to related parties.

IX. Confidentiality & Information Security

BOD, Executive Management and staff are all committed to maintain the confidentiality

of information of the Company's clients, as required under the provisions of the laws and instructions issued by the regulatory bodies. Such information is subject to certain rules that are strictly applied in the Company.

X. Whilst-blowing Policy

The Company provides a professional business environment that promotes cooperation and transparency. The whilst-blowing procedures in the Company include the guiding principles and steps that allow the Group staff to directly contact the Chairman to convey their concerns regarding any violations, wrong practices or misbehaviors. These procedures are taken in a manner that provides protection of employees and ensure that the required investigations are duly made and procedures are duly supervised.

XI. Disclosure & Transparency

The Company is required to provide accurate, complete and updated information to the regulatory bodies and the Company's shareholders in accordance with the legal and regulatory regulations and within the transparency framework. The Company ensures implementation of integral practices and policies for disclosure of information to the public in a timely manner. For this purpose, the Company developed a policy for transparency and disclosure of information; such policy reflects all disclosure requirements including financial, non-financial and regulatory requirements and certain guidelines on the Company's responsibility.

Disclosure & Transparency Unit is an central independent unit under Compliance Unit and responsible for managing the exchange of information inside the Company in addition to making available accurate and high quality information to the stakeholders inside and outside the Company in a timely manner.

Al-Safat Investment Company and its subsidiaries cooperate with all the regulatory bodies and provide timely and accurate information in accordance with the relevant policies. The Compliance Officer communicates with the regulatory bodies on a regular basis.

The disclosure framework covers all the qualitative and quantitative information relating to the financial performance, financial stability, risk management, remuneration, corporate governance, related party transactions, conflict of interests, the significant changes in the industry, etc.


Abdullah Hamad Al-Terkait
Chairman