

Corporate Governance Report for the Fiscal Year ended 31 December 2016

The Corporate Governance Report of Safat Investment Company for the year 2016 affirms the Company's constant commitment to provide the best value to its shareholders, which stems from the Company's recognition that the sustainability of good corporate governance practices has become an ethical and economic imperative in the modern business world.

In this regard, it has been our concern to emphasize the need for strict adherence to the principles that help in establishing the concept of transparency, accountability, integrity, ethics and honesty in conducting our business, which constitutes, without any doubt, the cornerstone of any successful organization. For this reason, we owe it to ourselves, our investors and stakeholders to commit to the highest levels of probity and integrity in managing the company.

Considering the growing interest of our shareholders, including the potential shareholders and investors, the Company has enhanced its governance system in line with the best local and international practices in this field. In this regard, Safat Investment Company aims at strengthening the role of independent board members, establishing and activating the work of the committees, adopting sophisticated and distinctive business ethics in its business sector, as well as applying the new regulatory laws and the system of delegation of authorities, and mainstreaming the role of the Board of Directors into our work with the executive management.

The Company looks forward to achieving the desired objectives, improving the practices and procedures that are currently in place, as well as implementing an advanced governance framework for the Company and its subsidiaries, so that we can gain a prominent position amongst the various areas of our business, and accordingly achieve our shareholders' vision.

I. The Company's Board of Directors:

A. Organization and Structure of the Board of Directors:

The Board of Directors is responsible for developing the business strategy of Safat Investment Co. and ensuring compliance with the highest standards of governance in all the Company's sectors and its business. The Board is also fully responsible for managing and directing the work team and complying with all matters related to the Company, that are independent of the executive management, in accordance with the approved Board of Directors charter, which determines the mechanism of its composition, duties, responsibilities, convening and the procedures relating to its meetings.

The Board of Directors is responsible for the smooth functioning of business, ensuring the Company's compliance with the relevant laws and regulations, as well as adherence to the Company's Articles of Association. The Board is also responsible for protecting the Company from any illegal, abusive or inappropriate acts and practices.

The Board of Directors acknowledges its full responsibility for establishing the Company's internal control system, in addition to applying and reviewing the efficiency of the Company's internal control system.

The Board of Directors works to apply all the requirements and rules required for achieving the objectives of the governance system, including promoting transparency and fair treatment, strengthen the regulatory and audit procedures, reducing the conflicts of interest cases, promoting code of conduct, and other rules that contribute to the advancement of the company and achieve its goals.

The Company's Board of Directors has formed the committees in compliance with the provisions of corporate governance (Audit Committee, Risk Committee, Remuneration and Nomination Committee). The committees have started their work after the Board's adoption of their charters, which define the roles and responsibilities of each committee, as well as the Board's adoption of code of conduct and ethical standards, rules of transparency, disclosure and dealing with stakeholders, and reducing the conflicts of interest cases...

B. Board Composition

The Company's Board of Directors comprises of seven directors pursuant to Article (14) of the Company's Articles of Association, who are elected by the general assembly, while the Chairman and Vice Chairman shall be elected by secret ballot. The Company also follows the principle of separation of positions, so that the Company has separated the positions of the Chairman of the Board from that of the Chief Executive Officer, in addition to the existence of an independent board member in accordance with the provisions of relevant laws and regulations, especially Module Fifteen (Corporate Governance) of the executive regulations of Law No. 7 of 2010, as amended, issued by Capital Markets Authority (CMA).

C. Board Formation:

The table below shows the current structure of Safat Investment Company's Board of Directors as at 31 December 2016:

#	Name of Member	Designation	Representation	Date of Appointment
1	Mr. Abdullah Hamad Al-Terkait	Chairman	Synergy Holding Company	23 / 08 / 2016
2	Mr. Fahad Abdurrahman Al-Mukhayzim	Vice Chairman	Al-Marwa Holding Company	23 / 08 / 2016
3	Mr. Mishal Ahmad Al-Jarki	Board Member	Safat Holding Company	23 / 08 / 2016
4	Mr. Abdulmohsen Sulaiman Al-Mishaan	Independent Board Member	Elected	23 / 08 / 2016
5	Mr. Nasser Bader Al-Sharhan	Board Member	Al-Qadisiya Holding Company	23 / 08 / 2016
6	Mr. Abdulrazzaq Zaid Al-Dabian	Board Member	Dar Al-Safat General Trading Co.	23 / 08 / 2016
7	Dr. Anwar Ali Al-Naqi	Board Member	Kuwait Industries Company Holding	23 / 08 / 2016

Board Secretary: On 25 September 2016, the Company's Board held its meeting no. 5 of 2016 in which the continuation of Mrs. Khawla Mohamad Awadh Qandeel in the position of Board Secretary was approved.

D. Board Meetings:

Below mentioned are the dates of the Board meetings and the number of personal attendance of all board members:

Meeting No.	Date of Meeting	Absent
6/2016	13 Nov. 2016	Dr. Anwar Ali Al-Naqi Mr. Abdulrazzaq Zaid Al-Dabian
5/2016	25 September 2016	None
4/2016	23 August 2016	None
3/2016	23 June 2016	None
2/2016	6 April 2016	None
1/2016	21 February 2016	None

Noted that the Board didn't pass any resolutions by circulation during 2016.

E. Board Responsibilities and Powers

As stipulated in the Board of Directors' Charter and in compliance with the provisions of Module Fifteen (Corporate Governance) of the executive regulations of Law No. 7 of 2010, as amended, issued by CMA, we present hereunder the Board's roles, responsibilities and powers including but not limited to:

1. Approve the Company's major goals, strategies, plans and policies.
2. Approve the estimated annual budgets as well as the interim and annual financial statements.
3. Supervise the main capital expenditures of the Company in addition to assets ownership and disposing of the same.
4. Ascertain the Company's compliance with the policies and procedures which assure the Company's adherence to the internal applicable rules and regulations.
5. Construct effective communication channels that enable the Company's shareholders to be continuously and periodically up-to-date with the Company's various activities in addition to any material developments therein.
6. Set the Company's governance system, as well as overall supervision thereon and monitoring its effectiveness.
7. Ascertain that the Company's policies and regulations are characterized by transparency and clarity, which enables the decision-making process, realization of good governance principles, and separation of powers and authorities between the Board of Directors and executive management.
8. Determine the powers assigned to the executive management, the procedures of decision making process and the duration of delegation.
9. Monitor and supervise the performance of the executive management members.
10. Determine the categories of remuneration that will be given to employees, after obtaining the recommendation of Remuneration and Nomination Committee.
11. Appoint or dismiss any of the executive management directors or heads in accordance with the Company's approved list of powers.
12. Ascertain the efficiency and sufficiency of the internal control systems applicable within the Company on a periodic basis.

II. Board Committees:

The Board of Directors has formed several committees to help it in performing the duties thereof. Those committees are delegated to do specific responsibilities and powers to act on behalf of the Board. Furthermore, in compliance with the corporate governance principles, the committees have met the minimum committee requirements as set forth in the applicable corporate governance regulations.

The Board of Directors has formed three Board Committees as follows:

- A. Audit Committee.
- B. Risk Committee.
- C. Remuneration and Nomination Committee.

Each committee shall have its own competences, duties and powers as defined by the Board in the Board Committee charter, which was approved and ratified by the Board according to the relevant regulations and laws as well as the Corporate Governance Practices.

1. Audit Committee:

The Audit Committee shall be primarily responsible for overseeing the quality and accuracy of the Company's practices within the framework of accounting, auditing, internal control and financial reporting, as well as identifying the compliance requirements and control mechanisms for all risk-taking activities within the Company. The main roles of Audit Committee are to monitor the Company's financial statements, review and recommend appropriate changes in the Company's control and financial systems, and maintain a

good relationship with the external auditor. The Committee shall also supervise the internal controls management, as well as its key role in ensuring the Company's compliance with all legal and regulatory rules, monitoring the accounting practices and developing the Company's governance system.

A. Composition

In its meeting no. 5/2016 held on 25 September 2016, the Board has elected the Audit Committee's members. The Committee includes the following members:

Member Name	Designation (Committee)
Mr. Fahad Abdurrahman Al-Mukhayzim	Chairman
Mr. Abdulmohsen Sulaiman Al-Mishaan	Deputy Chairman
Mr. Nasser Bader Al-Sharhan	Committee Member

The Audit Committee consists of one independent director and two non-independent directors. The Committee's roles, responsibilities, composition, membership requirements and other procedures were documented and included in the Board Committees' Charter. According to the principles of transparency and independence, the internal audit department shall directly submit its report to the Audit Committee, while the Committee Chairman shall be responsible for submitting the reports and remarks to the Committee on a periodic basis and when required.

B. Meetings of Audit Committee during 2016:

Meeting No.	Date of Meeting	Absents	Main items discussed
1 / 2016	10 November 2016	None	<ul style="list-style-type: none"> - Election of the Committee's Chairman and Deputy Chairman. - Approval of the consolidated interim financial statements for the 1st, 2nd and 3rd quarter of 2016, and submit its recommendation thereon to the Board for approving it.

C. Roles and Responsibilities of the Committee:

1. Review the interim and annual financial statements and the external auditor report, and approve them initially before being submitted to the Board for final approval, in order to ensure fairness and transparency of the financial reports.
2. Ensure the adequacy and comprehensiveness of the scope of the external audit, ascertain the independence of the Company's external auditor, reduce the factors that may undermine the auditor's independence, and verify the existence of coordination between the works of the external auditors.
3. Review/Study the external auditors' observations regarding the financial statements and following-up the measures taken in this regard.
4. Review/Study the followed accounting policies and principles and verify any changes that may affect the Company's financial position, in addition to identifying the reasons for such changes.
5. Review and adopt the annual plan of internal audit.
6. Supervise the internal audit procedures, review and approve the scope and periodicity of audit works.
7. Review the internal audit reports of the various departments, discuss the comments thereon, make corrective decisions, determine the persons engaged in the implementation and the expected time for implementation.
8. Review the adequacy and effectiveness of the Company's internal control systems, including the strategies, policies and procedures relating to sound practices for the management and control of various risks, in addition to verifying the implementation of those policies and strategies.

9. Follow up the implementation of the agreed-upon corrective actions according to a specific time frame.
10. Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard
11. Review Sharia Board's reports before its submission to the Board for adoption.
12. Initial review and approval of the internal audit department's policies and procedures.
13. Verify the Company's compliance with all relevant laws and regulations.
14. Nominate, appoint, transfer, dismiss, or replace the internal auditor and determine his fees, as well as verifying its effectiveness in carrying put the works.
15. Provide the Board of Directors with its recommendation concerning the appointment, re-appointment, or replacement of the external auditors, and determine their fees.
16. Review dealings and transactions with related parties, and provide the Board of Directors with the appropriate recommendations in this regard.
17. Conduct periodic meetings independently with the external auditor, and 4 times at least with the internal auditor, as well as when required at the committee's request.

2. Risk Committee:

The Risk Committee is primarily responsible for all matters related to the Company's risk management, for example but not limited to: Credit Risk, Market Risk and Operational Risk. The Board Risk Committee is also responsible for reviewing and monitoring the risks to which the Company may be exposed, risk management strategy, risk appetite and the related controls that aim at reducing the risks and determining the acceptable risk levels in line with the expected benefits, in addition to suggesting the recommendations thereon to the Board of Directors.

A. Composition

In its meeting no. 5/2016 held on 25 September 2016, the Board has elected the Risk Committee's members. The Committee includes the following members:

Member Name	Designation (Committee)
Dr. Anwar Ali Al-Naqi	Chairman
Mr. Mishaal Ahmad Al Jarki	Deputy Chairman
Mr. Abdulrazzaq Zaid Al-Dabian	Committee Member

The Committee's roles, responsibilities, composition, membership requirements and other procedures were documented and included in the Board Committees' Charter. According to the principles of transparency and independence, the Risk Management department shall directly submit its report to the Board of Directors, while the Risk Manager shall be responsible for submitting the reports and remarks to the Board on a periodic basis and when required.

B. Meetings of Risk Committee during 2016:

Meeting No.	Date of Meeting	Absents	Main items discussed
1 / 2016	04 October 2016	None	- Election of the Committee's Chairman and Deputy Chairman.

C. Roles and Responsibilities of the Committee:

1. Prepare and review risk management strategies and policies prior to getting them approved by the board of directors and verify application of such strategies and policies, and that they are appropriate to the company's nature and level of activities.

2. Review the adequacy and effectiveness of the Company's internal control systems, including the strategies, policies and procedures relating to sound practices for the management and control of various risks, and verify the implementation of those policies and strategies.
3. Ensure the availability of sufficient resources and systems of risk management, review the organizational structure of risk management, make recommendations thereon prior to its approval by the Board of Directors, and to verify that the department staff have a full understanding of the risks surrounding the company, and ensure that the staff of risk management department are independent from any operational activity.
4. Assist the Board of Directors to identify and evaluate the company's acceptable risk level, and evaluate systems and mechanisms of identifying, measuring and monitoring various types of risks to which the Company may be exposed.
5. Study and review the risk reports of the Company and the actions taken to reduce or face these risks in the range of the approved acceptable risks ratios in comparison with expected benefits.
6. Review issues raised by the risk committee, which may affect risk management in the company
7. Review and initial approval of the risk management policies and procedures.
8. Carrying out any other responsibilities assigned to the Committee by the Board of Directors in accordance with the approved authority matrix.

3. Remuneration and Nomination Committee:

The Remuneration and Nomination Committee shall determine the individual and total remuneration package for the board members in accordance with the framework approved by the shareholders, review the remunerations framework and plan adopted by the Company, and oversee the development of the succession plans along with suggesting recommendations with respect to the remunerations of executive management staff. The Committee reviews the annual remunerations of executive directors and submit it to the Board of Directors. In addition, the Committee is responsible for the nomination of potential members, on boarding, training of new members and raising the awareness of the Company's Board of Directors. The Committee also oversees the evaluation process of the Company's Board and Committees performance. The Committee assumes the coordination with compliance unit and audit committee to facilitate the business.

A. Composition

In its meeting no. 5/2016 held on 25 September 2016, the Board has elected the Remuneration and Nomination Committee's members. The Committee includes the following members:

Member Name	Designation (Committee)
Mr. Abdullah Hamad Al-Terkait	Chairman
Mr. Abdulmohsen Sulaiman Al-Mishaan	Deputy Chairman
Mr. Abdulrazzaq Zaid Al-Dabian	Committee Member

The Remuneration and Nomination Committee consists of one independent director and two non-independent directors. The Committee's roles, responsibilities, composition, membership requirements and other procedures were documented and included in the Board Committees' Charter. According to the principle of transparency and independence, the Remuneration and Nomination Committee submits its reports to the Board of Directors on a periodic basis and when required.

B. Meetings of Audit Committee during 2016:

Meeting No.	Date of Meeting	Absents	Main items discussed
1 / 2016	04 October 2016	None	- Election of the Committee's Chairman and Deputy Chairman.
2 / 2016	22 December 2016	None	- Nominating Mr. Abdulmohsen Al-Mishaan to assume the CEO position and submit recommendation to the Board of Directors for necessary action.

C. Roles and Responsibilities of the Committee:

1. Prepare and develop the policies of the Directors' remuneration in accordance with the laws adopted and recommendation submitted by the Board of Directors and subject to the approval of the Ordinary General Assembly.
2. Prepare and develop the remunerations and provisions policy of the Board committees' members.
3. Determine the various remuneration categories to be provided for employees such as fixed, performance-based, share-like and end of service remunerations.
4. Supervise the preparation of the policy of remunerations, promotions, bonuses, incentives and salaries for the executive management and employees.
5. Ensure that the remunerations are awarded in accordance with the Company's policies, review these policies periodically and evaluate their effectiveness in achieving the desired objectives, represented in attracting the human cadres and maintaining the highly skilled staff.
6. Prepare a detailed annual report on all remunerations granted to the Board members and executive management, however this report is to be submitted to the general assembly for approval.
7. An initial approval of the manpower plan according to the needs of the company and executive management recommendations to submit it to the Board of Directors for final approval.
8. An initial approval of the succession plan for the executive positions to be submitted to the Board for final approval.
9. Develop job descriptions for the executive, non-executive and independent members of the Board of Directors.
10. The nomination and re-nomination of independent members for election by the general assembly and ensure that the independency of the independent member in the Board of Directors is still valid.
11. Provide recommendations to the Board of Directors to appoint members of the executive management and vacant leadership positions according to the adopted policies and standards and with no prejudice to the governing regulations and laws.
12. Ensure the nomination of the most efficient, experienced, capable, and skilled candidates to exercise the functions entrusted to any vacancy according to the best standards.
13. Supervise the preparation and identification of the Company's needs of competencies at the level of executive management and the rest of the staff and the basis of their selection, recruitment processes and conditions of hiring the company staff, who directly report to the Chief Executives and their deputies, as well as the amendments to employment contracts, its renewal and / or termination of staff services and their resignations.
14. Supervise the preparation of the training plan for all the company's employees and monitoring its implementation.
15. Identify the strengths and weaknesses of the Board of Directors through self-assessment and recommendation to take the necessary action to correct any deficiencies for the company's interest.
16. Approval of the structure of the job levels and salaries of the company.
17. Carrying out any other responsibilities assigned to the Committee by the Board of Directors in accordance with the approved authority matrix.

III. Internal Control System

Al-Safat Investment Company adopted a series of internal control policies after endorsing and approving thereof by the board in order to evaluate the risk-management and auditing related methods and procedures, apply the governance system in the company, and abide by the relevant laws and regulations. The internal control system aims to protect the shareholders' rights and the company's assets, ensure the reliability of maintaining the financial records and the submission of reports in the company.

The audit committee reviews the effectiveness of the company's internal control system on a periodic basis through the evaluations performed by the internal control management, and this review includes all the key controls including the financial, operational and compliance controls, and the risk management systems.

IV. Compliance Department

The company promotes the culture of adherence to the rules of compliance therein, and it is expected from everyone including the board members, the executive body and employees to comply with the applicable laws, regulations and standards in Kuwait.

The compliance department determines on a proactive basis the risks of compliance related to the company's business as well as authenticating and evaluating thereof including, but not limited to, the risks related to the development of new products, business practices, establishment of new types of business, relationships with customers or the fundamental changes in the nature of these relationships. The risks of compliance include the risks of imposing the legal or regulatory penalties or incurring significant financial losses or the negative impact on the reputation due to the failure to comply with the applicable laws, regulations and standards.

The other responsibilities of the compliance department include the following:

- Ensure the departments' full compliance with the laws and regulations issued by the regulatory bodies (e.g. Capital Markets Authority, Ministry of Commerce and Industry, Central Bank of Kuwait) and the laws related to the operations of money laundering and financing of terrorism.
- Suggest the relevant recommendations in order to improve the procedures of internal control which help in minimizing the risks related to the non-compliance, money laundering and financing of terrorism.
- Follow-up the new laws and regulations and notify the executive management and concerned departments in order to apply it in a timely manner.
- Monitor the financial transactions of customers, verify the suspicious operations and reporting thereof to the financial information unit (if any).
- Enhance the due diligence in the suspicious operations and high-risk politically exposed clients.
- Ensure the proper application of the provisions of the United States Act related to the Foreign Account Tax Compliance (FATCA).
- Provide the required training and awareness to the company's staff members with regards to the penalties related to money laundering and financing of terrorism, and the provisions of the United States Act related to the Foreign Account Tax Compliance (FATCA) on a regular basis.
- The compliance department submits the outcomes of compliance reviews to the Board Chairman, and such reports should include a summary for the deficiencies, and/or penalties and procedures suggested for facing thereof, in addition to the proper measures which were taken and will be taken according to the agreed deadlines.

V. Disclosure and Transparency

In the pursuit of transparency, company should fully comply with all the requirements of disclosure including the release of shareholders' financial information in the company through the Kuwait Stock Exchange and the other regulatory authorities. Company should also comply with providing accurate, integrated and updated information to the regulatory bodies and the company's shareholders in accordance with the legislative and regulatory requirements in the framework of transparency. Further, the company also guarantees the adoption of integrated practices and procedures for the disclosure of

information and the possibilities of the general public to obtain the declared information promptly. To that end, the company prepared a policy for transparency and disclosure of information which reflects all the requirements of disclosure such as the financial, non-financial, and regulatory disclosures and the guidelines about the company's responsibilities.

The disclosures and transparency affiliated to the compliance unit is considered a central independent unit which assumes the responsibility of information exchange and management in the company, and the unit is also responsible for the availability of precise and high-quality information for the stakeholders inside and outside the company in a timely manner.

Al-Safat Investment Company and its affiliated companies also cooperate with all the regulatory bodies within the limits of competences, under which they are operating, with the adherence to provide accurate information to these authorities at the due time in accordance with the policies and regulations organizing thereof, and the compliance officer shall be responsible for dealing with the relevant regulatory bodies and the periodical communication therewith.

The framework of information disclosure includes all the main qualitative and quantitative information related to the financial performance and stability, factors of risk management, remunerations, governance, related parties' transactions, conflict of interest, the essential changes in the business sector and others.

VI. Conflict of Interest and Insider Trading

The company has developed guidelines and procedures for remedying the actual or theoretical cases of conflict of interest and insider trading, and these guidelines have been documented in policy for the company and it should be applied on the board, executive management, employees, and the other stakeholders (including shareholders, clients, service providers and others).

In accordance with the aforementioned policy, the board, executive management, employees, and other stakeholders should comply with the following:

- Avoid any instances which may lead to an actual or theoretical conflict of interest's cases.
- Act responsibly and respectively and staying away of any impact which may lead to the loss of objectivity in dealing with the company's clients and the company itself.
- Inform the board about any direct or indirect material interest in any transaction or matter which may have a direct impact on the company.
- Protect the personnel who prepare the conflict of interest reports from the negative reactions of the persons mentioned in these reports.
- Adopt clear rules and procedures for which the trading of securities, granting of insurance facilities, working in other establishments, membership in other boards, business interests, dealing with relevant parties, and any questionable or suspicious transactions or instances which may raise the possibility of conflict of interest's existence, should be subjected.
- Avoid asking for gifts from potential or current clients or salespersons or any other person or company.
- Non-disclosure of the insider information to any third parties which may have an intention to make use of the disclosure.
- Prevent some people from using the company's relevant information for personal gains.
- Disclosure of the number of shares of the board members to the public and/or stakeholders.

In general, the company has complied with the detentions and procedures prescribed by the relevant regulatory authorities in terms of dealing with the parties involved / business transactions / major transactions.

VII. Rights of Shareholders

The effective and transparent communication focuses on the accuracy, timing and importance of exchanged information, while at the same time ensuring the non-conflict of the disclosed information with the company's duty of protecting the company's persistence and the non-preference of some stakeholder over other stakeholders.

In line with the company's articles of association and the corporate governance, the company maintains an effective and explicit communication with its shareholders which enables them to understand the company's business, financial position and operational performance, in addition to the annual report and the shareholders' official meetings. The company also provides a broad range of information for all the stakeholders through its website.

The company aims to provide the shareholders with the sufficient information and data to analyze the company's performance and take the decisions with regards to the elections of board members and other matters including but not limited to:

- Right to access the records of shareholders and board members, articles of association, documents, records, and other relevant information as specified in the applicable regulations.
- Equal treatment for all the shareholders who are categorized under the same class, and also the shareholders from different classes of shares without prejudice to the rights of shareholders who enjoy a priority in the order amongst these classes.
- Right of attending the assembly in person or by proxy.
- Review the mechanism of profit distribution which will be / was acknowledged and approved by the board.

VIII. Rights of Stakeholders

The relationships with the stakeholders in the company enable the board to take their queries and goals into consideration while taking decisions, and this plays an essential role in achieving the company's long-term strategy and continuing its growth, and the board shall comply with protecting the rights of stakeholders continually and ensure to put their interests into consideration while taking any legal and commercial decisions by the company, and this compliance shall appear by applying the corporate governance which focuses on the adoption the highest standards of quality and transparency in all the commercial activities and transactions of the company.

The company also adopts a specific framework for running the discussions and communication with the stakeholders therein in an explicit and transparent manner, and this framework identifies the procedures established in communicating with the stakeholders and the level of information which can be disclosed. Moreover, the company aims to treat with all the stakeholders on an equal basis and in an equitable manner. In order to promote the ethical conduct, the company has issued the code of conduct including the ethical principles which should be adopted by every employee, and the investigations should be done accurately in case of committing any with taking the required disciplinary and corrective actions, and the company has also developed a policy for reporting the violations in the workplace which enables the employees and/or external service providers from reporting any violations without fearing the negative reactions.

IX. Company Policies

Al-Safat Investment Company has worked on preparing and updating all the policies and procedures of the company, and the committees and board's charters have been also developed and adopted, with particular focus on the risks governance and management that will be summed up as follows:

A. Governance of the Company

The Company acknowledges that the adoption of an effective governance system is essential for achieving the company's objectives and increasing the shareholders' rights to its fullest. The company has developed the practices and procedures of governance in accordance with the articles of association and the relevant systems and in line with the basic governance practices, and the policies of corporate governance determine the details of the governance system's guidelines in the company.

B. Social Responsibility

The Company is aware of its social responsibility to integrate the commercial standards in its operations in order to achieve the expectations of its stakeholders and fulfill their needs, and the

company also complies with promoting the sustainable growth and preserving the human life, health, natural and environmental resources and protecting thereof, as well as contributing to the societies wherein it conducts its business. In this framework, the company recognizes the importance of compliance and the financial and non-financial contribution.

C. Code of Conduct

The code of conduct adopted by the company is used as a manual for the professional conduct to which the company's employees should commit. This code includes all the applicable laws and regulations, and the highest standards that should be reviewed and committed by the employees during the performance of their daily activities and operations.

Furthermore, such rules shall be applied to subsidiaries while covering the matters specified hereunder.

- Compliance with laws and regulations.
- Conduct of Board members and employees.
- Restrictions related to accepting gifts and commissions.
- Avoid conflicts of interest.
- Provide high quality services and operational effectiveness.
- Protect the company's assets and appropriate utilization.
- Prevent trading based on internal information.
- Relationship with Press & Media.
- Notifying of violations at workplace.
- Relationship between employees and the company
- Using confidential and internal information and those related to stakeholders
- Respecting privacy of employees
- Respect human rights and prevent discrimination at workplace.

D. Human Resources:

The Company has developed fair policies for attracting, retention and motivate employees, which constitutes a key factor to effectively manage its business and such policies include proper management practices for employees and maintain competitive rewards and advantages level.

In terms of Human Resources Department, the company shall adhere to the following:

- Hire qualified candidates through using cost effective employment procedures.
- Adhere to all legal obligations, internal rules related to employment and Employees and Termination Department.
- Treat all employees fairly and equally.
- Launch initiatives for employing qualified Kuwaiti Citizens and retain them and achieve the percentage determined by the State of Kuwait.
- Follow coherent and competitive rewards and advantages system and apply to the company.
- Apply a fair promotion mechanism to identify the employees' outstanding performance and reward them accordingly.
- Develop the employees' performance, rectify deficiencies, support the strengths and improve the organizational effectiveness through applying a systematic performance evaluation system.
- Handle complaints to minimize the level of grievances and protecting the rights of the company and employees.
- Enhance information sharing and cross-company learning, in addition to facilitating the growth of knowledge.



Abdullah Hamad Al-Terkait
Board Chairman