

# GOVERNANCE REPORT

For The Year Ended 31 December, 2021

الصفوة  
AL SAFAT.

شركة الصفوة للإستثمار  
AL SAFAT INVESTMENT COMPANY

[www.alsafatinvest.com](http://www.alsafatinvest.com)

سُبْحَانَ اللَّهِ عَمَّا يُشْرِكُونَ

## Corporate Governance Report of Al Safat Investment Co. for the Year Ended 31 December 2021

### Overview of Governance Principles

Al Safat Investment Co. strongly believes that an efficient corporate governance framework is a major factor in the success of its business, given its importance for boosting trust in it and providing opportunities to enact comprehensive and sustainable changes in line with the values of the company. That is why one primary goal of the company, and its management is to set a robust and practical governance framework that takes into account the rights of stakeholders, investors and related requirements as defined by the regulatory authorities. It should also recognize the environmental, social, health and economic targets which we strive to achieve under the world-wide corona pandemic and its repercussions which call for efforts to confront it and contain its present and future risks. Al Safat Investment Co. relies on our effective risk management capabilities in continuing to realize the main governance targets, take advantage of new opportunities and meet the increasing demands so that we can continue our compliance with the requirements of the regulatory authorities in the State of Kuwait.

Al Safat Investment Co. believes that its long-term success depends on good governance in addition to effective, leading and forward-looking management that would strengthen the rules of this governance.

### Rule One

#### Building a Balanced Structure of the Board of Directors

With the fast developments in the business environment, diversifying the structure of the Board of Directors is the major success factor in today's world. That is why Al Safat Investment Co. Board of Directors is comprised of experienced and skilled individuals. This makes for a balanced and positive Board structure in the best possible manner while taking into consideration the renewed business requirements.

The role of Al Safat Investment Co. Board of Director represents the balance point in achieving the company's strategic goals and therefore those of the shareholders. The Board has taken upon itself the responsibility of complying with the good governance standards through activating and implementing the governance rules by following the best practices and a package of policies, procedures and mechanisms and by defining the responsibilities and duties of the Board of Directors and the Executive Management. All this while taking into consideration the rights of shareholders, stakeholders, clients, administration, staff and society.

Al Safat Investment Co. Board of Directors comprises seven members elected by the company general meeting for a 3-year term. The Board is formulated in a balanced way to be compatible with the company's size and activities. The majority of the members are non-executive (5 members) with two independent members, all of whom possess diverse experiences and specialized skills which contribute to strengthening efficiencies in decision making.

The members of board of directors have academic qualifications, experiences and required skills that are needed for the company's activities according to the following schedule:

Director	Capacity	Qualifications and experience	Date of election/ appointing secretary
Abdullah Hamad Al-Terkait	Chairman/ Non-Executive	- MBA Degree from the UK - Bachelor's degree in Public Administration and Political Science. - 16 year-experience	5 May 2019
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	- Master of Business Administration. - bachelor's degree in finance. - 26 year- experience.	5 May 2019
Abdul Muhsen Sulaiman Al Meshan	Member/ Non-Executive	- Bachelor's degree in international Finance and Marketing. - 42 year-experience.	5 May 2019
Nasser Bader Al Sharhan	Member/ Non-Executive	-bachelor's degree in political science and Marketing. - 24 year-experience	5 May 2019
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with specialization in General and Strategic Management. - bachelor's degree in accounting. - 16 year- experience.	5 May 2019
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., Master and bachelor's degree in civil engineering. - bachelor's degree in architecture. - 44 year- experience.	5 May 2019
Abdul Razzaq Zaid Al Dhubayan	Member/ Non-Executive	- bachelor's degree in civil engineering. - 17 year-experience	5 May 2019
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. 24 year experience	23 Feb 2014

Members of the Board of Directors dedicate sufficient time to review all tasks & responsibilities assigned to them; they meet at the invitation of the chairman.

## Summary of the Board's Meetings:

The Board of Directors held six meetings in 2021 as shown below:

Director	Meeting (1) 24/02/2021	Meeting (2) 21/03/2021	Meeting (3) 11/05/2021	Meeting (4) 12/08/2021	Meeting (5) 10/11/2021	Meeting (6) 30/12/2021
Abdullah Hamad Al-Terkait	√	√	√	√	√	√
Fahad Abdul Rahman Al Mukhaizim	√	√	√	√	√	√
Abdul Muhsen Sulaiman Al Meshan	√	√	√	√	√	√
Nasser Bader Al Sharhan	√	√	√	√	√	√
Mishal Ahmad Al Jareki	√	√	√	√	√	√
Dr. Anwar Ali Al Naqi	√	√	√	√	√	√
Abdul Razzaq Zaid Al Dhubayan	√	√	√	√	√	√

One resolution was signed in 2021 by passing.

### The manner of applying the requirements of registration, coordination and keeping minutes of Board meetings

The Board Secretary manages and coordinates various Board activities in accordance with governance rules. The Board Secretary is appointed or dismissed by a decision of the Board. Under supervision by Chairman of the Board, the Secretary checks the adherence to the procedures approved by the Board relating to exchange of information between Board members, associated Committees and the Executive Management, as well as setting Board meetings schedules, sending invitations at least 3 working days prior to the meetings, excluding emergency meetings. The Secretary is tasked with transcribing the minutes of Board meetings as well as attendance of members, and ensuring that information is delivered and distributed properly, and coordinating between Board members and stakeholders including shareholders, various company departments and concerned employees.

#### Rule Two

##### Properly defining tasks and responsibilities

Brief note on how the company sets the policy, tasks, responsibilities and duties of each member of the Board and the Executive Management, as well as the powers and terms of reference delegated to the Executive Management:

Al Safat Investment Co. Board of Directors is responsible for supervising the overall performance

and defining the company strategic orientation, setting its goals, approving the overall strategy and reviewing it periodically, as well as setting the organizational and administrative structure and the supervisory regulations of the company. In addition, the Board monitors the performance of the Executive Management and its implementation of the approved strategy. It also monitors any conflict of interest and deters the misuse of influence by concerned parties. The Board also shoulders the responsibility of approving consolidated and fair financial statements which reflect the true financial position of the company in accordance with the IFRS, as well as the responsibility for defining the internal supervision framework as the Board deems necessary in order to prepare the consolidated financial statements without substantial errors.

Al Safat Investment Co. has defined in detail the tasks, responsibilities and duties of each of the members of the Board and the Executive Management, as well as the powers and terms of reference mandated to the Executive Management through the policies and regulations approved by the Board.

Following are the main tasks and responsibilities of the Board:

- 1- Approval of the principal goals, strategies, plans and policies of the company.
- 2- Approval of the annual interim budgets and the quarterly and annual financial statements.
- 3- Supervising the company's main capital spending and its ownership of assets and investments.
- 4- Ensuring the company departments adherence to policies and procedures.
- 5- Ensuring the accuracy and correctness of the data required for disclosure.
- 6- Establishing effective communication channels to provide shareholders with access to periodic and continuous information about the activities of the company and any relevant major developments.
- 7- Structuring the corporate governance system, supervising it and following it up in general.
- 8- Monitoring the performance of the Board, committees, and Executive Management by using main performance indicators.
- 9- Preparing the annual report to be presented to the General Assembly and formation of specialized committees in accordance with regulatory authorities' requirements and defining responsibilities, rights and obligations.
- 10- Defining powers of the Executive Management and the decision-making process.
- 11- Following up the performance of the Executive Management members and ensuring their completion of all tasks assigned to them.
- 12- Defining the policy of regulating the relationship with stakeholders in order to protect their rights.
- 13- Preparing a mechanism for regulating the transactions with the related parties in order to avoid conflict of interest.
- 14- Approval of the main risk indicators and their measurements and being prepared to take risks at the company in order to deal with them.

### Achievements of the Executive Management in 2021:

- 1- Working towards carrying out all the company policies and internal regulations as approved by the BoD.
- 2- Preparing periodic reports on the progress of the company activity in light of its strategic plans and goals and submitting these reports to the BoD.
- 3- Establishing an integrated accounting system for keeping books, records and accounts that reflects in accurate detail the financial statements and income accounts in order to maintain the company assets and prepare financial lists in accordance with the international accounting standards approved by the Capital Markets Authority.
- 4- Optimizing the management of the company daily operations and activities and its revenues, as well as seeking to increase profits and reduce expenditure on the basis of the company goals and strategy.
- 5- Participating actively in establishing culture of ethics in the company.
- 6- Setting systems of internal oversight and risk management and ensuring their efficiency, comprehensiveness and adequacy, and adherence to risk avoidance as approved by BoD.

### Following are the main tasks and responsibilities of the Executive Management:

#### Achievements of the Board in 2021:

In line with the Boards` responsibilities in achieving the best financial and operational results and the completion of the company strategic plan in the best manner, the Board made in 2021 several achievements, such as:

1. Approved the audited and consolidated annual financial statements for the year ended 2020.
2. Approved the capital adequacy policies and procedures.
3. Approved the recommendation of the remunerations and nominations committee.
4. Approval of the re-appointment of the company's external auditor Mr. Bader Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young).
5. Approved appointing a new external Sharia auditor (Osol for Sharia Consulting).
6. Approval of the agenda of the ordinary General Assembly for 2020.
7. Approval of the agenda of the non-General Assembly.
8. Approval of the anti-money laundering and anti-terrorism report prepared by the Compliance Dep for 2020.
9. Approved the semi-annual risk report for the period 31/07-2020-31/12/2020.
10. Approved the draft condensed consolidated interim financial statements (unaudited) for the Q1, Q2 and Q3 of 2021
11. Approval of the annual estimated budget for the year 2022.
12. Assessment of Board members performance for 2021 and reviewing the assessment of members of committees emanating from the Board (Audit Committee, Risks Committee, Remunerations, and Nominations Committee) in addition to assessing the CEO performance in 2021.
13. Provision of a training course entitled combating money laundering and terrorism.

## **Brief on implementation of requirements for the Board formation of specialized independent committees, taking into account the mention of the following information about each committee:**

In the process of the Board carrying out its tasks and duties, the Board has formed sub-committees and approved their charters which define their responsibilities and terms of reference with the aim of strengthening supervision of company operations. Members of the committees possess technical and practical experiences and skills that would help them carry out the tasks assigned to them as best as possible.

### **1. Audit Committee**

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Fahad Abdul Rahman Al Mukhaizim- Chairman

Mr. Anwar Ali Al Naqi- Vice Chairman

Mr. Naser Bader Al Sharhan – Member

The number of meetings held during 2021: five meetings.

#### **Responsibilities and achievements of the committee in 2021**

- Reviewed the draft annual audited and consolidated annual financial statements for the fiscal year 2020 and submitted a recommendation to the Board of Directors for approval and for taking the necessary measures to request holding an ordinary General Assembly meeting.
- Approved the proposal to reappoint the external auditor Mr. Bader Adel Abduljader, Al Aiban and Al-Osaimi (Ernst & Young).
- Submitted a recommendation to appoint a new external Sharia auditor (Osol for Sharia Consulting).
- Approved the internal audit plan for 2021
- Reviewed the internal Sharia audit reports for the fourth quarter of 2020 and the first, second and third quarters of 2021 to ensure that the Sharia Audit Unit reviewed the compliance of the company's activities and operations with Sharia provisions.
- Evaluated the performance of the Head of the Internal Audit Department of the company in addition to the consulting body that the company has contracted with (Ernst & Young Al Aiban, Al Osaimi & Partners).
- Reviewed the draft condensed consolidated interim financial statements (unaudited) for Q1, Q2 and Q3 of 2021 and submitted a recommendation to the Board of Directors for approval.
- Reviewed the assessment report of the company's internal control systems for the year 2020 and mandated the Head of Internal Audit to follow up and address the observations in the report with the relevant departments.



- Reviewed the internal audit reports that were carried out on all company departments and mandated the Internal Audit Head to follow up and address the observations along with the company's managers.
- Carried out annual appraisal of Committee members for 2021.

## 2. Risk Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Anwar Ali Al Naqi- Chairman

Mr. Abdul Muhsen Sulaiman Al Meshan- Vice Chairman

Mr. Abdulrazzaq Zaid Al Dhubayan – Member

The number of meetings held during 2021: Five meetings

### **Responsibilities and achievements of the committee in 2021:**

- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period June- December 2020 and recommended that the report be presented to the Board of Directors and mandated the Risk Management Representative to follow up and address the observations in coordination with the relevant departments of the company and the top management.
- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period January- June 2021 and recommended that the reports shall be presented to the BoD and mandated the Risk Management Representative to follow up and address the observations.
- Filled out the appraisal forms of the committee and its members during 2021 and submitted the results to the Board of Directors for approval.

## 3. Remuneration and Nomination Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Chairman

Mr. Mishaal Ahmed Al Jareki- Vice Chairman

Mr. Abdulrazzaq Zaid AlDhubayan – Member

The number of meetings held during 2021: two meetings

### **Responsibilities and achievements of the committee during 2021**

- Approved the annual allowances of the committees emanating from the Board of Directors and approved the allowances of members of the committees.

- Approved the recommendation to the Board of Directors to pay the CEO's remuneration for the year 2020 according to the annual appraisal set by the Board of Directors.
- Approved paying bonuses to the company's employees for the year 2020 according to the annual appraisal scheme set by the Directors of Departments and the recommendation of the Board of Directors for approval.
- Prepared and sent the annual appraisal forms for the year 2021 to the Board of Directors and its committees, in addition to submitting the appraisal form of the CEO for 2021 to the Board of Directors.
- Appraisal of the members of the Nomination and Remuneration Committee for 2021 and submitted it to the Board of Directors for approval.

#### **4. Provisions Committee:**

Formation of the committee: 6 May 2019

Term of the committee: dependent on the decision of the current Board of Directors

Members of the committee:

Mr. Abdul Razzaq Zaid Al Dhubayan -Chairman

Mr. Hasan Mahmoud Qaqish -Member and Reporter of committee

Mr. Herarld Leo Fernandes -Member

The number of meetings held during 2021: three meetings

##### **Responsibilities and achievements of the committee in 2021:**

- Approved new provisions
- Writing-off provisions from Company's books
- Affirmed additional provision

#### **5. Credit Committee:**

Formation of the committee: 13 November 2019

Term of the committee: dependent on the decision of the Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Chairman

Mr. Ahmed Fathy Abouzeid- Vice Chairman

Mr. Saheb Saleh Khajah- Member

The number of meetings held during 2021: Four meetings

##### **Responsibilities and achievements of the committee in 2021:**

- Approved the draft consumer financing policy
- Reviewing customers' requests for financing
- Approved to grant financing to the company's customers

Brief on how to implement the requirements that allow Board members to obtain information and data accurately and in timely manner:

The company has an effective mechanism that allows members of Board of Directors in general and non-executive and independent Board members in particular to obtain all the basic data and information that enable them to carry out and implement their duties through coordination with the Secretary of the Board of Directors, and in accordance with relevant laws and legislations.

### **Rule Three**

#### **Selecting qualified persons for Board membership and Executive Management**

##### **Brief on implementation of requirements for formation of nomination and remuneration committee:**

The nomination and remuneration committee assists the Board of Directors in performing supervisory responsibilities, including: effectiveness, integrity and adherence to the Company's nomination and remuneration policies and procedures, reviewing and approving selection criteria and appointment procedures for members of the Board of Directors and top management, and ensuring that the policy and methodology of nominations and remuneration as a whole is in line with the strategic objectives of the company. Also, the committee shall meet on regular basis, at least once a year, as needed.

The nomination mechanism in place within the company ensures the continuity of selecting and attracting competencies either to run for membership of the Board of Directors or of the Executive Management. Board of Directors has formed a nomination and remuneration committee in accordance with the governance rules, with the committee having to include an independent member. The committee's work charter approved by Board includes the following:

- Recommendation to accept the nomination and re-nomination of members of the Board and the Executive Management.
- Setting a clear policy for the remuneration of the members of Board of Directors and the Executive Management.
- Determine the required skill requirements appropriate to the membership of Board and review these requirements annually.
- Attract applications for those wishing to occupy executive positions as needed, and study and review these requests.
- Define the different tiers of rewards that will be awarded to employees.
- Prepare job description for the Executive Board members, non-executive members, and independent members.
- Propose the nomination and re-nomination of members for elections by the General Assembly and ensuring that the independence status of independent members is not eliminated.
- Defining the mechanisms of evaluating the performance of the Board and the performance of each member and the Executive Management.
- Define the indicators for measuring the performance of the Board and review these indicators annually.
- Review and suggest training programs and workshops for members of the Board of Directors.

- Reviewing the payroll and job grades periodically.
- Prepare a detailed annual report on all bonuses granted to members of Board of Directors and the Executive Management, whether they are amounts, benefits, or advantages, whatever their nature and name, provided that this report is presented to the company's General Assembly for approval.

## The report of remunerations granted to members of Board of Directors and Executive Management:

### First: Board of Directors Remuneration Policy

- Al-Safat Investment Co. adopts a transparent policy relating to the remuneration of BoD members whether for charging their duties and attendance of Board meetings or meetings of its committees. The company complies with the corporate law terms relating to the BoD members' remunerations.
- Members of the Board of Al-Safat Investment Co. did not receive any remuneration or benefits for their attendance and efforts during the six (6) BoD meetings in 2021.

In 2021, The Board of Directors discharged its tasks and responsibilities, with the help of its committees. The Board submitted a recommendation to shareholders to remunerate members of the committees only. In May 4, 2021, the Ordinary General Assembly approved the committees' members remunerations.

### The remunerations granted to members of Board of Directors

Remunerations and benefits of Board members							
Remunerations and benefits through subsidiaries				Remunerations and benefits through the Mother Company			Total number of members
Variable remunerations and benefits (KD)		Fixed remunerations and benefits (KD)		Variable remunerations and benefits (KD)		Fixed remunerations and benefits (KD)	
Committees' remuneration	Annual remuneration	Total monthly salaries	Health insurance	Committees' remuneration	Annual remuneration	Health insurance	
-	-	-	-	-	80,000 KD	-	7

### Second: Remuneration policy for the Executive Management

#### Remunerations of the Executive Management

Al-Safat Investment Co. grants remunerations and incentives to its executive staff and employees as per the employees' annual evaluation and according to specific technical and professional criteria. Several targets have been set through which the employee's performance is evaluated, namely defining the goal, its capability of being measured and achieved and how it relates to the employee's task, as well as time frame for realizing the required goals. The employees' performance was carried out under the supervision of the Human Resources Department.

**The Company's remunerations principles are based on the following:**

1. Attracting capable, talented, skilful and highly knowledgeable human applying resources and retaining them to ensure quality.
2. Balancing the employees' remunerations with the Company profitability during the year.
3. Applying an incentives system that encourages the employees to deliver a continuously growing quality performance at all times.

The Remunerations and Nominations Committee lays out, in coordination with the Executive Management, the remunerations policy of the Executive Management with the aim of creating a balance with the competitive market remunerations with a view to keeping the talents, increasing shareholders present and future returns and recommending the remunerations to the BoD for approval.

The Remunerations and Nominations Committee lays out the remuneration's segments for the Executive Management employees through evaluating the performance of the Company employees in various departments, making use of analytical tools, quantitative and qualitative processes and comparative studies in the process of deciding remunerations and benefits. In addition, the Company has a system of monitoring and evaluating the performance of the Executive Management and employees. It also has a fair and transparent system for measuring responsibilities and performance which is used in rewarding the employees for their achievements throughout the year.

Remunerations and benefits of five senior executive managers with the highest remunerations, plus the Executive president and the financial manager or those acting for them if not included among the latter														
Remunerations and benefits through the mother company								Remunerations and benefits through the subsidiaries						
Total executive posts	Fixed remunerations and benefits (KD)						Variable remunerations and benefits (KD)	Fixed remunerations and benefits (KD)					Variable remunerations and benefits (KD)	
	Monthly Salaries (Total of the year)	Health insurance	Annual Air tickets	Housing allowance	Transportation allowance	Children education allowance	Annual remunerations	Monthly Salaries (Total of the year)	Health insurance	Annual Air tickets	Housing allowance	Transportation allowance	Children education allowance	Annual remunerations
7	231,050	10,092	1,000	6,000	0	2,000	89,700	---	---	---	---	---	---	---

The members of the Board of Directors and the Executive Management have not been granted any other remuneration, either directly or indirectly, neither by Al-Safat Investment Company nor its subsidiaries.

During 2021, there were no significant deviations from the remuneration policy approved by the Board of Directors.

## Rule Four

### Ensuring the integrity of financial reports

**Board of Directors and the Executive Management pledge in writing the integrity of the prepared financial reports.**

The company's annual report includes written pledges to both the Board and Executive Management of the integrity of the prepared financial reports.

#### **Brief on implementation of the requirements for the formation of the Audit Committee:**

**The primary role of the Audit Committee is to supervise all audit matters and ensure the integrity of financial reports and internal control systems. The Audit Committee performs the following tasks, for example and not limited to:**

Review all periodic and annual financial statements prior to submitting and recommending them to the Board of Directors.

#### **Recommend to Board of Directors appointing external auditors.**

- Study and review the notes on the financial statements and request the Executive Management to work to amend them, if necessary.
- Recommend to Board of Directors appointing the director of internal audit, reviewing, and approving the internal audit plans.
- Review the results of the internal reports and ensure that all necessary corrective actions are taken.
- Review the results of the inspection of the regulatory authorities on the company and taking the necessary measures to rectify the observations.
- Review matters related to the nomination of the external auditor and recommend that to the Board of Directors.
- Recommend assigning an independent audit office to evaluate, review internal control systems and prepare a report in this regard (Internal Control Report).

During 2021, there was no inconsistency between the recommendations of the Audit Committee and the decisions of the Board of Directors.

#### **Independence & Impartiality of the External Auditor**

- Following the recommendation of the Board of Directors, the General Assembly approved appointing the statutory auditor. The nomination of the external auditor should be based on the Audit Committee recommendation submitted to the Board of Directors. The auditor should be listed in the CMA's external auditors register, i.e., fulfilling all the required provisions stated in the CMA's resolution concerning the mechanism of listing external auditors.
- On 4 May 2021, the Ordinary General Assembly approved the re-appointment of the company's external auditor, Mr. Bader Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young) for the year 2021.

- The external auditor carries out an independent annual audit and a quarterly review with the aim of confirming that the financial statements are prepared in accordance with IFRS approved by the regulatory authorities in the State of Kuwait.

## **Rule Five**

### **Establish Appropriate Systems for Risk Management & Internal Control**

#### **Requirements for the formation of an independent Risk Management:**

- The Company has set up risk management regulations and effective measures, in order to define, evaluate, gauge and manage major risks facing the company. Risk management is the joint responsibility of the Company administration and employees. Risk management Department is charged with ensuring that employees are aware of the importance of risk management, and that they carry out their tasks accordingly. The Head of Risk Management measures, monitors and limits various potential risks facing the Company.

#### **Requirements for the formation of a Risk Management Committee:**

The Risk Committee is an independent unit that specializes in risk management, while its primary role is to set policies and regulations to manage the risks according to what is consistent with the company's tendency to bear the risks facing the company, provided that its membership period is three years unless board of directors decides otherwise. The committee is comprised of a Chairman and three non-executive members, excluding the Chairman of Board of Directors. The Risk Committee performs the tasks and responsibilities to be adhered to as stipulated in the rules of corporate governance, while it holds at least four meetings during the year and has minutes of its meetings transcribed.

The Risk Committee identifies, measures, and monitors risks the company is exposed to in collaboration with the Executive Management and the company's Risk Management Officer. The committee provides the Board with advice on the current and future risk strategy and policy and supervises the company's strategy approved by the Board of Directors. The Risk Committee also reviews the company's Risk Management policies and procedures in accordance with the submitted reports by the Risk Management Officer prior to approval by the Board. In addition, the committee develops the policies and procedures of managing various types of risks. It is also responsible for identifying, measuring, monitoring and supervising the system of risks the company is exposed to and preparing reports thereon. The committee also follows up the results of the assessment reports and monitors the company's risk exposure.

Overall, the committee verifies the consistency of the company's business strategy and its business activities with the risk appetite approved by the Board. It also follows up the preparation of risk policies, procedures and methodologies in a manner that is consistent with the risk appetite and supervises the development and implementation of an appropriate structure and systems for risk management in addition to ensuring the provision of an adequate level of risk control and regulations related to the company's business.

#### **Internal Control System:**

The company is keen on establishing an internal control system to cover all the company's activities

in order to maintain the company's overall financial soundness, accuracy of its data, and its operation efficiency. The principles of internal control of the dual control process in the organizational structure of the company have been taken into account through:

- Establishing appropriate roles and responsibilities.
- Complete separation of duties and no conflict of interest through the continuous updating of the organizational structure of the company
- Dual inspection and control (Internal Audit Department and Audit Committee)
- - Dual signature (all checks, and contracts are signed or certified by more than one person according to the table of powers approved by the Board of Directors.
- Appointing an external auditor to audit internal control systems and preparing an annual report to be submitted to CMA per annum within a maximum of 90 days from the end date of the financial year.

The company also has a Conformity and Compliance Management that includes many distinct skills and expertise to ensure compliance with all rules and bylaws. This management is considered one of the most important tools of internal control and regulation in the company and it cooperates with the Audit Management and Risk Management to ensure implementing the inspection procedures and dual control while the Board of Directors ensures activating the role of the managements continuously.

#### **Requirements of formation of an independent internal audit department:**

The Internal Audit Department determines the policies and procedures of audit to assist the company in implementing the governance system through ongoing evaluation of the performance of the Executive Management with respect to application of the systems, means and procedures of internal audit. This aims at providing necessary recommendations for developing the system to increase the efficiency and effectiveness of the internal system. Accordingly, the Board of Directors assigned the internal Audit Department, through the Audit Committee, its tasks and responsibilities. Therefore, the company's internal audit department enjoys complete technical independence and reports to the Board Audit Committee.

One of the most important responsibilities of the Internal Audit department at Al-Safat Investment Company is to provide the Board of Directors and Executive Management with an independent and objective opinion on the availability of controls, and adequate and appropriate guarantees to support the company's activities, improve the effectiveness of controls, risk management and governance processes.

The independence of the internal audit department is a determinant of audit tasks success. Therefore, the internal audit department submits its reports to the Board Audit Committee and approves the following: organizational structure, internal audit charter and policy, internal audit plans, risk assessment methodology, and assessment of achievements and job performance of the department. The committee meets independently with the Director of Internal Auditing on a quarterly basis.



## **Rule Six**

### **Promoting professional behavior and ethical values:**

#### **Standards and determinants of Code of Ethics and Business Conduct:**

The Code of Ethics and Business Conduct includes standards of behavior that all company employees must follow and consider daily in all transactions in the workplace. If any concerns or doubts about non-compliance with the code of ethics are raised, the company seeks to motivate and create a culture of immediate reporting to the competent unit through several channels, including line manager, human resources, legal affairs, and conformity and compliance management. Meanwhile, no accountability measures or legal consequences of any kind should be taken against any person reporting concerns or doubts related to legal or statutory violations.

#### **Policies and mechanisms for limiting conflicts of interest:**

The company follows procedures and mechanisms for limiting conflict of interest cases, whereby members of the Board of Directors are keen on protecting the interest of shareholders, avoiding conflicts of interests with their personal interests as well as carrying out the tasks assigned to them.

These mechanisms aim to prevent conflicts of interest and the use of insider information to achieve personal gains. These mechanisms are also part of the company's commitment to integrity in dealing with related parties. Al Safat Investment Co. has been keen to prepare a set of policies and procedures that ensure that the company's assets and resources are not used to achieve personal interests, including the policies of dealing with related parties, confidentiality and security of information and reporting illegal practices.

## **Rule Seven:**

### **Timely and Accurate Disclosure and Transparency**

#### **Accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:**

Al Safat Investment Co. discloses continuously and in an accurate and timely manner about all transactions and properties carried out by it or by clients of its investment portfolios. It also discloses all the quarterly and annual financial statements upon their completion and without delay, in order to ensure the reassurance of shareholders and investors of the company's conditions. The company is keen that all its disclosures are consistent with the standards imposed by CMA in this regard.

#### **Requirements of Disclosure Record for Board Members and Executive Management:**

Board of Directors set transparent, accurate and timely presentation and disclosure mechanisms as follows:

- Board of Directors put in place presentation and disclosure mechanisms in line with corporate governance rules.
- The company established a record of disclosures for Board members and Executive Management.
- The company established the Investor Affairs Unit responsible for providing the necessary data, information and reports to its potential investors. As it reports to the Board of Directors, the Investor Affairs Unit enjoys appropriate independence in a way that enables it to provide data, information

and reports in a timely and accurate manner. This should be achieved through common channels of disclosures, including the company's website.

- The company has also developed IT infrastructure on which it relies heavily for disclosures, while the company's website displays a corporate governance section.

#### **Requirements of formation of Investor Affairs Unit:**

On 30 August 2021, the BOD appointed Mrs. Sara Al Mukaimi as Investor Affairs and Social Responsibility Officer in an effort to implement and complete what BOD achieved when it established the investor relations unit in compliance with corporate governance rules. Al Safat Investment Co. also conducted policies and procedures to regulate the process of dealing with investors and provide necessary data, information and reports to shareholders and investors through common disclosure channels.

#### **Developing the basic structure of Information technology**

Al-Safat Investment Co. is keen to update its website to include all data and information integral to disclosure of information of interest to shareholders and investors and to add all necessary data in accordance with governance rules. During this year, the company has also updated and developed its website to include the latest data and information of concern to prospective shareholders and investors.

### **Rule Eight**

#### **Respecting shareholders rights:**

##### **Requirements for defining and protecting the general rights of shareholders:**

As Al-Safat Investment Co. followed some rules to ensure fairness, equality, and transparency for all shareholders, the BOD formulated a policy for shareholders that would enable them to exercise their rights in a conscious manner. This policy provides all information related to the company in a fair, regular and easy manner, including the company's financial performance, its strategic goals and plans, corporate governance and risk profile.

##### **Establishing private record to be kept with the clearing agency:**

The agreement concluded between Al Safat Investment Co. and the Kuwait Clearing Company stipulates that the latter shall keep a record of the shareholders of Al-Safat Investment Company and update it according to the completed transactions. The company also maintains an e-register for the shareholders that includes any changes to the completed transactions, with any concerned party being entitled to view that record.

##### **Encouraging shareholders to participate and vote in the meetings of the company's assemblies:**

Al-Safat Investment Company encourages its shareholders to participate actively in the General Assembly meetings, sending them the necessary invitations, the agenda, the necessary attachments, time and place of the meeting, and the statement of shareholders rights to exercise their voting rights with no barriers.

Some of the shareholder rights include, but are not limited to, the following:

- Right to receive their share of dividend distribution.
- Right to receive their share of Company's assets, in case of liquidation in accordance with the Companies Law.
- Right to receive information and data related to the Company's activities and its strategies on a regular basis.
- Right to participate in the General Assembly meetings of shareholders and vote on decisions in accordance with laws and regulations.
- Right to elect members to the Board of Directors.
- Right to monitor the Company's performance in general and that of the Board of Directors in particular.
- Right to hold the Board of Directors and the Executive Management of the Company accountable in accordance with the Companies Law.
- Right to record the value of shares owned.
- Right to register and transfer the ownership of shares.
- Right to review the shareholders' register.

### **Rule Nine:**

#### **Identifying Stakeholders' role**

##### **Regulations and policies of ensuring protection and recognition of stakeholders' rights**

Al Safat Investment Co. conducted stakeholders' protection policy that has been tailored for ensuring respect and protection of related applicable laws in State of Kuwait such as labor law, companies law and executive bylaws in addition to the signed contracts between both sides. This also includes any additional obligations of the company towards stakeholders in an effort to limit the potential conflict of interest considering that none of the stakeholders gains any advantage through the deals and contracts of the company's usual business.

The company also took the initiative of protecting all stakeholders' rights while maintaining stability and career sustainability through its sound financial performance. The stakeholders-like parties in the company have been identified in the conducted policy where guidelines for protecting these rights have been set.

##### **Encouraging stakeholders to take part and follow up the various activities of the company**

The company takes into account that none of the stakeholders gains any advantage from contracts and deals within the usual business of the company in an attempt to avoid conflict of interest between stakeholders and shareholders. The company also designs internal policies and bylaws with clear mechanism for tendering various contracts and deals.

Al Safat Investment Co. sets mechanisms to maximize benefits of the stakeholder's contributions towards the company while urging them to take part in following up its activities in line with achieving the best interest in an optimal manner. The company allows stakeholders to obtain all business-related information and data, so that they depend on them in timely manner and on a regular basis. The company facilitated the process of reporting by stakeholders to the Board of Directors about any improper practices by the company and ensured appropriate protection for the reporting parties.

## Rule Ten

### Fostering and improving performance

#### **Mechanisms for providing members of Board of Directors and Executive Management with ongoing training programs and workshops.**

The ongoing training and qualifying of members of Board of Directors and Executive Management are crucial pillars of the governance rules. This immensely contributes to improving the performance of the company which led to paying utmost attention to training members of Board of Directors and Executive Management. This can be achieved by setting training programs tailored to the business of the company and its strategy in addition to the operational and financial fields for all the activities of the company and its control and legal obligations.

#### **Overall appraisal of the Board of Directors' performance and appraisal of every member of board of directors and Executive Management**

Al Safat Investment Co. tailored policies and procedures as approved by the Board of Directors to implement an official process for review of the annual performance of the Board of Directors and Board committees, while measuring the efficiency of their performance and their contribution to the company affairs.

The objective of appraisal process is to create consistent regular and official methodology for assessing the performance of the Board of Directors and subcommittees, which contributes to the measures for improving their performance. This process also helps in presenting the recommendations of the Board of Directors to the shareholders during the reelection of members.

It is worth noting that the assessment of the Executive Management performance is deemed as a key tool for translating the company's business plan into procedures while developing the company culture for achieving its strategic goals.

During Q4 of 2021, the company conducted appraisals of the members of Board of Directors, the Board committees, and the CEO. It provided appraisal templates prepared by nomination and remuneration committee. The Board approved the appraisal outcome in accordance with the corporate governance and internal policies in this regard.

#### **Board of Directors' efforts in creating corporate ethics for employees**

Al Safat Investment Co. represented by the Board of Directors and Executive Management is keen on continuously stressing the importance of creating corporate ethics for all employees. This can be done through achieving the strategic goals of the company while improving the performance ratios, not to mention the compliance with regulatory authorities' laws and the governance rules. In accordance with this, the company issues a number of periodic reports (annual report, annual governance report, audit committee report) that include the holistic information on efforts to assess the members of the Board of Directors, Executive Management, shareholders and stakeholders and their ability to take sound and professional decisions.

## Rule Eleven

### Focus on the importance of social responsibility

Al-Safat Investment Co. attaches great importance to social responsibility and plays a vital role in

giving back to the society and state in line with our firm belief that the role of companies is not confined to the practical and the profitable but should extend to spreading environmental culture and health awareness that contribute to the progress of societies, in addition to philanthropic activities and beautification of various amenities. At Al-Safat, we view social responsibility as a big part of our professional constitution. That is why we undertake our responsibilities towards our society and country with plans and initiatives that serve the public interests and support the national policies.

At Al-Safat we continued on the path of giving back. As well as donating thousands of litres of detergents and disinfectants to ministries and government amenities at the peak of the pandemic in 2020, we undertook the following activities:

1. **Health Awareness:** we followed up in 2021 with an awareness lecture to the employees about the importance of vaccination, delivered by Dr. Fatma Khajah. She shared the medical details about the vaccine and reassured the employees about its safety. She also addressed all questions and queries. This was followed by a comprehensive vaccination campaign in cooperation with the Ministry of Health for all employees of Al-Safat Tower and the subsidiaries, in order to raise the rate of vaccinations in the country.
  - During the Breast Cancer awareness month, we distributed coupons for mammograms to our female employees in cooperation with Dar Al-Shifa Hospital. We also promoted the culture of self-examination and early testing to protect against this disease.
  - Males were not left out. In November, the awareness month of physical and mental disorders in men, we launched an awareness campaign offering advice to maintain their health. The campaign covered the entire Al-Safat Tower, our subsidiaries and associates as well as cooperating with Eureka to distribute the awareness brochure with all their sales during the month.
2. **Training:** We, at Al-Safat, took it upon ourselves to contribute to the training of the youth and qualifying them to work in the field. In this context we received two female trainees from the Investment Public Authority. They spent 30 days with our company acquainting themselves with actual work in the investment field.
3. **Environmental Contribution:** At Al-Safat, we believe that maintaining a clean environment is essential for quality living and that cars are among the worst polluters on our planet. We, therefore, provided free electric charging stations for hybrid cars in Al-Safat Tower parking lots.
4. **The Aesthetic Aspect:** the pedestrian bridge opposite our Company headquarters was fully embellished and parts of it were restored, repainted and cleaned, making it the first beautification project of the surrounding environment undertaken by the Company as part of a future plan for similar projects that would bring back to the area its original splendor.

The social responsibility efforts of our Company are made in all fields that we consider essential and important to our close society. Giving back and acting responsibly towards our homeland are a vital part of the vision and goals of Al-Safat Investment Co.

### Thanks and Gratitude:

In conclusion I would like to extend the greatest thanks and gratitude to members of the Board of Directors for their support and trust. Their constructive cooperation and continuous understanding of our ambitions have brought our Company to this advanced level. I must also thank the Executive Management and all employees who contributed largely, through their dedication, enlightened ideas and extensive culture, each in their field, to the growth of the Company.

Al-Safat Investment Co., thanks to the dedication of its leadership, supervision and execution, is advancing towards a bright future of ongoing development of performance and results. Thanks are also due to the various regulatory entities and investors on their continuous cooperation and constructive support.



**Abdullah Hamad AlTerkait**  
Chairman