

## Corporate Governance Report for Al Safat Investment Company For the financial year ended December 31<sup>st</sup>, 2018

### The company's perspective on governance principles

Al Safat Investment Company adheres to the principles and guidelines of corporate governance. In this regard, the company is committed to developing corporate governance standards to achieve best governance practices as one of the priorities of the Board of Directors and senior management of Al Safat Investment Company. This development is made through the review and improvement in the levels of supervision and control throughout the operations of Al Safat Group. This development also comes within the framework of the company's endeavor to promote good corporate governance practices to enhance the success of the company and promote the achievement of its objectives and aspirations. At the top of these objectives is to gain the confidence of our existing and potential shareholders, investors, and all stakeholders, as well as to establish best management practices that support the principles of accountability which are based on integrity and transparency. The Company is committed to all disclosure and transparency requirements to ensure the protection of the rights of different categories of shareholders as well as fair and equitable treatment of rights and duties towards all shareholders to guarantee and clarify the rules and procedures for taking decisions related to affairs of Al Safat Investment Company and its compliance with corporate governance provisions.

### Rule 1: Establishing a balanced structure for the board of directors

The members of the Board of Directors have contributed effectively and dynamically by using their expertise to form a coherent, flexible board of directors which is fully competent to meet the challenges of a changing economic environment. The members of the Board of Directors also made efforts to raise the level of corporate governance in the company in the belief in its role in the sustainability of business and improving the performance at all levels.

The Board of Directors of Al Safat Investment Company consists of seven members who were elected by the shareholders of the Company at the Ordinary General Meeting of the Company held on August 23rd, 2016 for a period of three years after obtaining the approval of the Capital Markets Authority on the names of the candidates for membership of the Board of Directors. The Board consists of 5 non-executive members as well as two independent members.

The Candidates' nomination for the new Board of Directors was announced for a period of two weeks from February 4th, 2019 until February 18th, 2019, for 7 seats. Seven candidates submitted their candidacy; and the Remuneration and Nomination Committee confirmed that

they had met all the required conditions. Therefore, the candidates submitted their applications to the Capital Market Authority for approval of applications for candidacy, which was obtained on 04 March 2019.

All members of the current Board of Directors have the appropriate qualifications and experience for the Company's activities according to the following table:

Member Name	Member Position	Qualification and Practical Experience	Date of election
Abdullah Hamad Al-Terkait	Chairman - Non-Executive	- Bachelor Degree in Public Administration and Political Science. - Years of practical experience: 13 years.	23 August 2016
Fahd Abdul Rahman Al Mukhaizim	Vice-chairman - Non-Executive	- Master of Business Administration. - Bachelor degree in Finance. - Years of practical experience: 23 years.	23 August 2016
Abdul Mohsen Suleiman Al-Meshan	Member - Non-Executive	- Bachelor Degree in International Finance and Marketing. - Years of practical experience: 39 years	23 August 2016
Naser Bader Al-Sharhan	Member - Independent	- Bachelor Degree in Political Science and Marketing. - Years of practical experience: 21 years.	23 August 2016
Mishaal Ahmed Al - Jareki	Member - Non-Executive	- Master of Business Administration with specialization in General and Strategic Management. - Bachelor Degree in Accounting. - Years of practical experience: 13.5 years	23 August 2016
Dr. Anwar Ali Al-Naqi	Member - Independent	- Ph.D., Master and Bachelor Degree in Civil Engineering. - Bachelor Degree in Architecture. - Years of practical experience: 41 years.	23 August 2016
Abdul Razzaq Zaid Al dhubayan	Member - Non-Executive	- Bachelor Degree in Civil Engineering. - Years of practical experience: 14.5 years	23 February 2016
Khawla Mohammed Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. - Years of practical experience: 21 years.	23 February 2014

The members of the Board of Directors allocate sufficient time to review the functions and responsibilities entrusted to them, so that the Board of Directors shall meet at the invitation of the chairman.

### An overview of the Board of Directors' meetings

The Board of Directors' meetings held during 2018 are explained through the following statement:

Member Name	Meeting No. (1) dated 21/02/2018	Meeting No. (2) dated 07/03/2018	Meeting No. (3) dated 14/05/2018	Meeting No. (4) dated 01/08/2018	Meeting No. (5) dated 13/11/2018	Meeting No. (6) dated 25/12/2018	Number of Meetings
Abdullah Hamad Al-Terkait	√	√	√	√	√	√	6
Fahd Abdul Rahman Al Mukhaizim	√	√	√	√	√	√	6
Abdul Mohsen Suleiman Al-Meshan	√	√	√	√	√	√	6
Naser Bader Al-Sharhan	√	√	√	√	√	√	6
Mishaal Ahmed Al - Jareki	√	√	√	√	√	√	6
Dr. Anwar Ali Al-Naqi	√	√	√	√	√	√	6
Abdul Razzaq Zaid Al dhubayan	√	√	√	√	√	√	6

11 members of the Board approved (1) circular resolution of the Board of Directors by first pass on 17 / 04 / 2018.

### Method of applying the requirements of registration, coordination and keeping the minutes of meetings of the Company board of directors:

The Secretary shall assist the members of the Board fully and continuously to ensure that they properly receive any required information. Also, the Secretary shall assist the chairman of the Board in all matters related to the preparation of the agenda of the Board meetings and the issuance of invitations to Members. He also shall record all the resolutions and discussions of the board members, record the results of the votes taken in the meetings of the Board, and work on keeping the special documents and keeping a record of the meetings of the Board in consecutive numbers for the year in which the meeting was held with the registration of the meeting place, date and time of start and end.

## **Rule 2: Proper identification of functions and responsibilities**

An overview about how the company identifies the policy of the functions, responsibilities and duties of each of the members of the board of directors and executive management, as well as the powers and authorities delegated to the executive management:

As part of Al Safat Investment Company's commitment to implementing the fundamentals of good governance, the management of the company, represented by its Board of Directors and Executive Management, has taken into consideration the responsibilities and duties of the Board of Directors and the Executive Management. The role of the Board of Directors in the company represents the point of balance that works to achieve shareholders' objectives and to follow up the executive management of the company. The Board of Directors seeks to achieve the company's strategic objectives by ensuring that the executive management performs the functions entrusted to it to the fullest extent, enhances the company's competitiveness, achieves high growth rates, makes efforts to maximize profits, and ensures that the executive management resolutions and procedures are always in the interest of shareholders.

- Approval of the strategic objectives, plans and policies of the company and reviewing them periodically.
- Approval of the annual estimated budgets and approving the periodic and annual financial statements before sending them to the regulatory bodies.
- Supervising the company's main capital expenditures, and owning and disposing of the assets.
- Ensuring the Company's compliance with policies and procedures to ensure that the Company respects the applicable internal regulations and regulations.
- Ensuring the accuracy and integrity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and procedures.
- Establishing effective channels of communication that allow shareholders to learn about the different aspects of the company's activities.
- Forming specialized committees emanating from the Board of Directors in accordance with a charter specifying the responsibilities and powers of each committee.
- Determining the authorities vested in the executive management through the adoption of a comprehensive list of powers of the company. The control and supervision of the performance of executive management members shall be carried out by the Board which shall ensure that they perform all the functions entrusted to them.

### **The achievements of the Board of Directors during 2018:**

**Based on the Board's responsibilities to achieve the best financial and operational results and to achieve the company's strategic plan to the fullest, the Board has achieved during the year 2018 of the following achievements:**

- Approving the annual financial statements for 2017 and the periodic (quarterly) statements for 2018 and submitting them to the regulatory authorities.

- Setting the company's main and financial objectives, developing and adopting the strategies, plans and policies.
- Monitoring the implementation of annual strategies, work plans and budget and verifying the causes of deficiencies.
- Following up with the executive management to ensure the effectiveness of the internal control systems that protect the company's assets, ensure the integrity and accuracy of financial statements, company records and compliance with the relevant rules, regulations and instructions by monitoring and supervising the audit functions of the company's departments.
- Evaluating the performance of the Board of Directors as a whole during 2018, in addition to evaluating the members of the Board for themselves and evaluating the performance of the CEO during 2018, in addition to approving the evaluation results of the members of the committees of the Board of Directors.
- Approval of the nomination and appointment of the Co.'s CEO: Mr. Ahmed Fathi AbuZeid.
- Approval of the International Financial Reporting Standard (IFRS 9) that the Company shall apply when preparing its financial statements.
- Approval of the annual and estimated budget of the company.
- Approval of the company's investment of surplus funds available in the Arab Republic of Egypt, in the interest of profitability and profitable returns in favor of the company.
- Approval of assigning and appointing a specialized consultant office to amend and update the internal work policies and regulations of the company (organizational structure, job description, terms of reference, policies and work procedures of the company's departments). In addition to the approval of some internal policies and procedures in accordance with the requirements of the regulatory authorities.
- Follow up with legal consultants regarding the legal case between the company and Qatar National Bank.
- Appointment of the Investor and Social Responsibility Unit Officer.

**An overview about the application of the requirements for the board of directors to form independent specialized committees, taking into account the following information about each committee:**

The internal control and management system of Al Safat Investment Company is based on the guidelines and regulations issued by the Capital Markets Authority, the Central Bank of Kuwait, the Ministry of Commerce and Industry, The Company's Memorandum of Association and Articles of Association, as well as the company's internal work policies and regulations. The Board of Directors has delegated some of its powers to the committees of the Board of Directors in accordance with the charters approved by the Board of Directors which define the functions, responsibilities and powers of each committee.

The Board of Directors has formed several committees that have emerged from it. The instructions

and rules of the Government issued by the Capital Market Authority have been taken into account in the formation of the Board Committees and the laws and circulars issued by the Central Bank of Kuwait concerning the companies that carry out financing activities. The following Board Committees include:

**The Board of Directors Committees include the following:**

**The Audit Committee**

- Date of formation of the Committee: 25th September 2016
- Duration of the committee: related to the term of the current administration
- Members of the Committee: Mr. Abdul Rahman Fahad Al Mukhaizim -President of the Committee.
  - Mr. Anwar Ali Al-Naqi - Vice-President
  - Mr. Nasser Badr Al-Sharhan - Member
  - Number of meetings held during 2018: Seven (7) meetings

**Functions and achievements of the Committee during 2018:**

- Reviewing the periodic financial statements (quarterly) and the annual report of the external auditor and approve them in principle before submitting them to the Board of Directors for the final approval in order to ensure the integrity of the financial statements of the company and the independence and integrity of the external auditor.
- Discussing and studying the observations made in the report of the External Auditor.
- Approval of the internal audit plan for the various departments of the company.
- Recommending the appointment of an internal audit manager for the company - Mr. Hassan Qaqish - after taking the approval of the Capital Markets Authority on the request for his candidacy.
- Recommending the Appointment of new external auditors for the Company in compliance with the Article (6.4.3) Book 5 of Executive bylaws- Securities Activities and Registered Persons - which stipulates that the auditor shall not carry out auditing of any client for more than four consecutive financial years unless the client is in liquidation. Such period shall be calculated from the date of registration in the auditors register at the Authority.
- Reviewing and approval of the report of the internal control systems of the company (ICR) for 2017, which was sent to the Capital Markets Authority; and to authorize the internal auditor to follow up and address the observations.
- Recommending the assignment and appointment of a specialized consultant office to amend and update the internal work policies and regulations of the company (organizational structure, job description, and terms of reference, policies and work procedures of the company's departments).
- Recommending the appointment of a specialized internal audit office to assist the internal audit manager to perform his duties and prepare the internal audit reports for the various departments of the company for the year 2018.
- Evaluating the annual performance of the members of the Committee and the manager of internal audit and submit the results to the Board for approval.

- Recommending the Board of Directors to approve the application of International Financial Reporting Standard (IFRS 9) and to apply it within the Company.

### **Risk Management Committee**

- Date of formation of the Committee: 25<sup>th</sup> September 2016
- Duration of the Committee: Depends on the term of office of the current Board of Directors
- Members of the Committee:
  - Mr. Anwar Ali Al-Naqi - President
  - Mr. Mishal Ahmed Al-Jarki - Vice President
  - Mr. Abdul Razzaq Zaid Aldbayan - Member
- Number of meetings held during 2018: five (5) meetings

### **Functions and achievements of the Committee during 2018:**

- Preparing and following up the risk management strategies and policies and assessing the systems and mechanisms for identifying and measuring different types of risks.
- Assisting the Board of Directors in identifying and assessing key risks to the Company and ensuring that the Company manages the risks efficiently.
- Reviewing and submitting a recommendation to the Board of Directors on the risks reports sent to the Capital Markets Authority which is prepared by the risk manager.
- Recommending the assignment and appointment of a specialized consultant office to amend the internal work policies and regulations of the company (The organizational structure, job description, Authority Matrix and policies and work procedures of the company's departments).
- Reviewing the report of the violations imposed on the company during the year by the Capital Markets Authority relating to the risks, specifying the procedures for correcting the situation and delegating the risk management officer and the compliance officer to follow up (No violations were imposed on the company by the regulatory authorities during 2018).
- Evaluating the annual performance of the members of the Committee and the Director of Risk Management and submitting the results to the Board for approval.

### **Remuneration and Nominations Committee:**

- Date of formation of the Committee: 25<sup>th</sup> September 2016
- Duration of the Committee: Depends on the term of office of the current Board of Directors
- Members of the Committee:
  - Mr. Abdullah Hamad Al-Terkait - President
  - Mr. Abdulrazak Zaid al-Dhabayan-Vice President
  - Mr. Nasser Bader Al-Sharhan-member
- Number of meetings held during the year 2018: four (4) meetings

### **Tasks and achievements of the Committee during 2018:**

- the preparation of a clear policy for remuneration of board members and executive management.

- Identify the required skills needed for board membership and review these needs on an annual basis.
- Recommend the nomination and appointment of the current CEO of the company, Mr. Ahmed Fathi Abou Zeid, after taking the approval of the Capital Markets Authority to request his candidacy.
- Prepare the annual evaluation forms for each of the board members and members of the committees and the CEO and send them to fill them and then sort the results of the evaluation after the adoption of the results from the board of directors.
- Evaluate the annual performance of the Committee members and submit the results to the board of directors for approval.
- Recommending the appointment of the Director of Internal audit and the internal Shariah audit officer, after confirming the conditions required by the Capital Markets Authority.
- Review and approve a report of the rewards granted to members of the Board of Directors and executive management during the year.
- Study and Comply with the conditions of independence that must be met by an independent board member.

#### **Provision Committee:**

- Date of formation of the Committee: 25 September 2016
- Duration of the committee: Depends on the term of office of the current Board of Directors
- Members of the Committee:
  - Mr. Abdulrazak Zeid Al-Dbayan-President
  - Mr. Hasan Mahmoud Qaqish-member and Committee's secretary
  - Mr. Herald Leo Fernandez – member
- Number of meetings held during the year 2018: two (2)

#### **Tasks and achievements of the Committee during 2018:**

- Establish and approve provisions against existing and doubtful receivable balances.
- Proof and adoption of additional custom for some of the company's existing legal proceedings.

#### **Executive Committee:**

- Date of formation of the Committee: 25 September 2016
- Duration of the committee: Depends on the term of office of the current Board of Directors.
- Members of the Committee:
  - Mr. Fahad Abdulrahman Al-Mukhaizim, President.
  - Mr. Abdulla Hamad Al-Terkait, vice-President
  - Mr. Nasser Bader Al-Sharhan - member
  - Mr. Mishal Ahmed al-Jarki - member
- Number of meetings held during the year 2018: None
- Functions and achievements of the Committee during 2018: none



### **Credit Committee:**

The credit Committee is not currently active because al-Safat Investment Company has not been involved in the finance grant activity but was established at the request of the Central Bank of Kuwait, as the company has this activity.

A summary of how the requirements that allow board members to obtain information and data in a timely and accurate manner are applied:

The Board of Directors has adopted a manual of procedures to ensure that members of the Board of Directors receive information in a timely and accurate manner in accordance with relevant laws and legislations. The guide sets out the mechanism for requesting information and presenting it to the board of directors and the procedures and obligations of members to maintain the confidentiality of the information given to them by virtue of their work.

### **Rule 3: Selection of qualified members of the Board of Directors and executive management**

#### **About applying the requirements of forming the nomination and remuneration Committee:**

The nominating mechanism established within the Company ensures the continued selection and attraction of competencies to join either to run for membership of the Board of Directors or executive management. The Board of Directors has established a nomination and remuneration committee in accordance with the rules of governance, which includes the Committee's composition to an independent member, and the Board adopted the Committee's work Charter which includes the Committee's tasks and responsibilities, which include:

- Recommend acceptance of nomination and renomination of board members and executive management.
- Establish a clear remuneration policy for board members and executive management.
- Identification of required skills requirements for board membership and review of those requirements on an annual basis.
- Attracting requests from those who wish to fill executive positions as needed, and studying and reviewing those requests.
- Identify the different segments of rewards that will be awarded to employees
- Prepare a job description for Executive board members, non-executive members and independent members.
- Proposing the nomination and re-nomination of members for elections by the General Assembly and ensuring that independent Members do not lack independence.
- Define the mechanisms for evaluating the performance of the Board as a whole and the performance of each board member and executive management.
- Identify indicators to measure the performance of the Board and review those indicators on an annual basis.
- Reviewing and proposing training programs and workshops for members of the board of Directors.

- Periodically review the payroll and grading schedule.
- Prepare a detailed annual report on all rewards granted to board members and executive management, whether amounts, benefits or bonus, whatever their nature and name, to be presented to the General Assembly of the company for approval.

#### **Rewards report for members of the Board of Directors and executive management:**

A separate report was prepared for the rewards and benefits granted to members of the Board of Directors and executive management of al-Safat Investment Company and its subsidiaries during the year 2018.

#### **Rule 4: Ensure integrity of financial reporting**

Written undertakings by both the Board of directors and the executive management of the integrity and integrity of the prepared financial reports.

Among the contents of the company's annual report are the written undertakings of both the board of directors and the executive management for the integrity and efficiency of the prepared financial reports.

#### **About the application of the requirements of the composition of the Audit committee**

The main role of the audit committee is to oversee all matters of auditing and ensuring the integrity and efficiency of financial reports and internal control systems. The Audit Committee shall carry out the following tasks, for example:

- Review all periodic interim and annual financial statements before presenting them and recommending them to the board of directors.
- Recommend to the Board of Directors the appointment of external auditors.
- Study and review the notes on the financial statements and request the Executive Officer to work on amending them if necessary.
- Recommend to the Board of Directors to appoint the Manager of Internal audit, and review and approve the internal audit plans.
- Review the results of internal reports and ensure that all necessary corrective actions are taken.
- Review the results of inspection of the company's regulators and take the necessary steps to correct the observations.
- Review matters relating to the nomination of the External Auditor and submit a recommendation to the Board of Directors.
- Recommend that an independent audit Office be commissioned to assess and review internal control systems, and prepare a report on this matter (internal control report) Internal control reports
- During 2018 there was no discrepancy between the recommendations of the Audit Committee and the decisions of the Board of Directors.

### **Independence and impartiality of the external Auditor**

The ordinary General Assembly, held on April 30, 2018, approved the appointment of the company's external auditors for 2018, Mr. Khaled Hassan Ibrahim al-Ahmed from Al Sour chartered accountants and Mr. Faisal Saqr Abdul Karim al-Saqr- BDO Al Nisf.

The external auditors of the company are registered with a special register in the capital Markets Authority, which are independent from the company and its board of directors. External auditors are invited to attend the meetings of the General Assembly, the report prepared by them is read to the shareholders and the external auditors are allowed to discuss their views with the Audit Committee before the annual and interim financial statements are submitted to the Board for decision.

### **Rule 5: Sound risk management and internal control systems developed**

#### **Requirements for the formation of an independent risk management department:**

The company has established risk management which protects the company from potential risks of various types and determines the propensity and quality of acceptable risks. By establishing a range of internal control systems that are adequate and appropriate for the company's activity and nature of its work. The Administrator shall have the necessary expertise after taking the approval of his appointment from the Capital Markets Authority and the risk Manager shall be independent so that he directly follows the board of Directors according to the approved organizational structure of the company.

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

The main role of the risk committee is to oversee all matters related to risk management and to contribute to the development of risk management policies and regulations consistent with the company's risk tolerance, in addition to the application of the following requirements:

- Review the company's risk management policies and procedures and recommend them to the board of directors for approval.
- Evaluation of systems and mechanisms to identify, measure and monitor the types of risks that the company may be exposed to.
- Ensure the independence of risk management staff and that they have a full understanding of the risks surrounding the company.
- Review the risk reports that are sent to the capital Markets Authority periodically and work to provide crisis solutions and follow up with risk management to address the risks contained in the reports.
- Review the issues raised by the Audit committee on risk.

#### **Control systems and internal control:**

Al Safat Investment Company has developed effective control systems, procedures and tools for risk management and internal control to cover all activities of the company.

The company continuously develops periodic reporting systems for all departments working in the company. As it is one of the most important tools in Follow-up of performance, control, and risk

reduction by applying the principle of double control to ensure proper identification of powers and responsibilities, complete segregation of duties and non-conflict of interest. The company also has the internal audit and Compliance department. The board is keen to activate its role and support to ensure the highest level of internal control.

The company also has a compliance department that includes many outstanding skills and expertise to ensure compliance with all laws and regulations and is one of the most important internal control tools within the company. Compliance Department works in collaboration with the audit and risk Management department to ensure the application Double check and control procedures the Board of Directors is keen to activate its role on an ongoing basis.

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

Al-Safat Investment Company has established the Internal Audit department with full technical independence through its direct affiliation to the audit committee which in turn follows the board of directors. The internal Audit Department performs several tasks including monitoring and auditing the performance of various departments in the company to ensure the proper application of the company's internal systems, regulations and policies. As well as ensuring the efficiency of the internal control systems in all departments of the company. The Internal Audit Department oversees the preparation of reports presented to the audit committee, which reviews the observations of the external auditors on the internal control systems to ensure that they are applied and that the company is complying with the relevant policies, regulations and instructions.

#### **Rule 6: Promoting professional behavior and ethical values:**

##### **Standards and determinants of professional conduct and ethical values:**

The Board of Directors of the company established the standards and determinants that entrench the concepts and ethical values in the company in accordance with the requirements of all official bodies. The executive management seeks to implement the objectives of the company according to those criteria and parameters and include them in the work Charter. The policy of reporting illegal practices has also been prepared in the event that an incorrect or non-secure order is observed. The policy also touched on other, very important aspects such as the relationship with shareholders, and the information security policy, so that all board members, executive management and staff should adhere to them in all their work assignments.

##### **Policies and mechanisms on the reduction of conflict of interest cases:**

The company's board of Directors has adopted a conflict of interest policy that aims to ensure that appropriate procedures are applied to detect and effectively deal with conflicts of fundamental interests. Also to ensure that the Board of directors handles cases Opposing existing, potential and prospective interests and that all decisions are taken in the interests of the company and this policy is an integral part of the company's full commitment to integrity and fairness in dealing with stakeholders, and the policy has set out the basics of dealing and managing conflict of interest situations. Parties whose interests are in conflict with the interest of the company, as well as the respective roles of the Board of Directors, executive management, compliance and internal audit departments and the Co.'s general Assembly with respect to conflict of interest, as well as the disclosure mechanism.

### **Rule 7: Disclosure and transparency in a timely and accurate manner:**

Precise and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:

The company is characterized by openness, credibility and cooperation, and in the realization of the Company's established principles and in application of good governance best practices and a commitment to all legal requirements.

The Board of Directors adopted a policy of disclosure and transparency including definitions of some important legal terms as well as The policy clarified general disclosure policies, disclosure rules, disclosure procedures and disclosure mechanisms. The policy also set out the company's Disclosure Matrix and Company disclosures on its website, the purpose of which is to develop general guidelines for the effective and efficient conduct of operations. The company has prepared a special document outlining all the periodic reports and records of the regulatory authorities.

### **Requirements of the Board of Directors and executive management disclosures:**

The company has prepared a register for the disclosures of board members, executive management, knowledgeable persons and disclosures of ownership of the stock group listed on Boursa Kuwait, and the company makes sure to apply the rules of disclosure of interests and disclosure of knowledgeable persons.

### **Requirements for forming a unit regulating investor affairs:**

On 25 December 2018, the Board of Directors of the company at its meeting No. 6 of 2018 appointed Mr. Abdulaziz Abdulmohsen al-Mashaan as the Head of the investor Affairs and Social Responsibility unit, by applying and complementing the work of the Board of directors of Al-Safat investment company to establish a special unit Investors are committed to the provisions of the corporate governance rules and have been working on the preparation of policies and procedures for the work of the Unit to regulate the mechanism of dealing with investors and be responsible for the availability and availability of data, information and reports for investors and shareholders through the means of disclosure Common.

### **Information Technology infrastructure Development:**

The company is using information technology to facilitate disclosure procedures so that it has recently developed the website of the company to be in line with the rules of governance and disclosure, and the company is currently working to put all of its disclosures on the website as soon as they are issued in order to for all interested people to have access to it. The Compliance Department is also relying on the electronic system to determine rates of interest and change.

### **Rule 8: Respect for shareholders ' rights:**

#### **Requirements for the identification and protection of the general rights of shareholders:**

Al-Safat Investment Company ensures that all shareholders exercise their rights in a fair and non-conflict with the company's law issued by the Ministry of Trade and Industry, the rules of governance issued by the Kuwait Capital Markets Authority, and all decisions and instructions in this regard. The company has developed and approved the policy of protecting shareholders ' rights by the Board of

directors so that all shareholders of the company enjoy all the following rights:

- Recording the value of the property contributed to the company's records.
- Disposition of shares from registration, transfer and/or transfer of property.
- Obtaining the assessment in dividend distributions.
- Obtain a share of the company's assets in case of liquidation.
- Obtaining data and information about the company's activity and its operational and investment strategy on a regular basis.
- Participate in the meetings of the General Assembly of shareholders and vote on its resolutions.
- Election of members of the board of Directors.
- Monitor the performance of the company in general, and the Board of directors in particular.
- Investigate with the Board of Directors or executive management and the filing of claims of responsibility if they fail to perform the tasks assigned to them.

#### **Create a special record that is kept at the clearing agency:**

A stock register and shareholder data are saved by the Kuwait Clearing Company in accordance with the corporate governance rules, and the Investor Relations Officer shall keep an updated version of the shareholders' register periodically and the register shall be available to all shareholders for information on the dates specified and in accordance with the law and without any fees.

Encourage shareholders to participate and vote in the meetings of the company's associations:

The company allows its shareholders to participate actively in the meetings of the General Assembly, discuss the topics on the agenda. Shareholders have the right to vote on the resolutions of the General Assembly either on the original or acting, and all the information on voting rights is provided to all shareholders and potential investors in a permanent and continuous manner.

The company has extended an invitation to shareholders during 2018 to attend the ordinary General Assembly meeting, including the agenda, time and venue of the meeting by announcing twice in the daily newspapers of the State of Kuwait.

#### **Rule 9: Recognizing the role of stakeholders**

##### **Systems and policies that ensure the protection and recognition of the rights of stakeholders**

The company works to respect and protect the rights of the stakeholders in all its internal and external transactions and dealings. Adopting the appropriate approach to ensure the protection of the rights of the stakeholders by adhering to the laws and directives issued in this regard. It also complies with contracts entered into with other parties and complies with the obligations conferred on them in these contracts and agreements with respect to the stakeholders.

The company recognizes the role of stakeholders, and has therefore developed an appropriate mechanism to facilitate the reporting by stakeholders of improper practices to which they may be exposed, through the preparation and adoption of a policy to protect the rights of stakeholders.

##### **Encourage stakeholders to participate in the follow-up of the company's various activities**

The company provides stakeholders with access to information and data relevant to their activities through the Investor Affairs Unit, customer service management and Complaints Unit, as well as

through the company's website, ongoing disclosures and through the development of performance methods and services for stakeholders. The company has also developed appropriate policies to enable stakeholders to inform the Board of any improper practices they are exposed to by the company and to provide appropriate protection to the reporting Parties.

#### **Rule 10: Enhance and improve performance**

##### **Mechanisms that allow members of the board and executive management to receive training programs and courses on an ongoing basis:**

Al-Safat Investment Co. has developed and prepared a plan to conduct training courses and programs for board members and executive management. To ensure that they have a full understanding of the company's operation and operations activities as well as the obligations incumbent upon them, including the financial and operational aspects of the activities The company, the legal and regulatory obligations placed upon them, duties and powers, ways to combat money-laundering and the financing of terrorism, the strategy and business plan of the company, the role of the committees emanating from the Board of directors and the laws, decisions and updates of the activities of the company and regulators.

##### **Evaluating the performance of the Board as a whole and the performance of each board member and executive management**

The company has worked to develop policies and systems to measure and evaluate the performance of each board member and executive management on a regular basis. The company has developed a set of performance measurement indicators related to the extent to which the company's strategic objectives and quality of risk management and adequacy of internal control systems are achieved. Enabling Performance measurement indicators from identifying strengths and weaknesses and suggesting that they be addressed in accordance with the company's interest.

During the fourth quarter of 2018, a performance evaluation was conducted for the board of Directors, its members and committees. As well as the performance evaluation of the CEO of the company, through the performance evaluation forms prepared by the rewards and nominations committee. The Board of Directors adopted all evaluation results in compliance with corporate governance and domestic policy.

##### **The efforts of the Board of Directors to create the institutional values of Co.'s Employees**

The Board of directors of Al-Safat Investment Company has worked to create values within the company in the short, medium and long term of the establishment of policies and procedures that work to achieve the strategic objectives of the company and improve performance rates. In addition to the development of integrated reporting systems to create values and inform the employees of the company on the methodology of the company's work and continuous developments and updates.

#### **Rule 11: Focus on the importance of social responsibility**

##### **To ensure a balance between each of the company's objectives and the goals of the Society**

On 25 December 2018, the Board of Directors of the company at its meeting No. 6 of 2018

appointed Mr. Abdulaziz Abdulmohsen al-Mashaan as the Head of the investor Affairs and Social Responsibility unit, in compliance with the company's preparation of the policy of managing its social responsibility, which allows the company To achieve its objectives, which are integrated with the objectives of society by acting ethically and contributing to the sustainable development of society in general and to the employees of the company in particular, by working to improve the living and socio-economic conditions of the workforce and their families, as well as the society at large, contributing to the reduction of levels of unemployment in society, the optimum utilization of available resources, the creation of employment opportunities for them and the support and promotion of national employment.

During the holy month of Ramadan, al-Safat Investment Co., in collaboration with the Kuwait Bank for Food, organized a campaign to distribute iftar meals to some companies, where a group of various employees of Al-Safat investment departments volunteered to work for good in the holy month. The campaign for the workers of the companies of Al-Safat Investment Company, the support of workers is a primary responsibility of all members of society and is part of the social responsibility plan adopted by the company.

The social responsibility of the private sector has become part of the strategy of many private sector companies through which different groups or community projects are supported by a clear institutional framework that follows the regulations of corporate governance and the laws of the country, and that the social responsibility activities of Al Safat investment aims to support students in various higher education institutions in the country as well as the youth sector, saying that the private sectors are betting on Kuwaiti youth in their growth.

### **The programs and mechanisms used to help highlight the company's efforts in the field of social work**

Al-Safat Investment company has developed policies to ensure that the company's social responsibility objectives are disclosed to its employees, and awareness and education programs are conducted for the employees of the company to ensure that they are familiar with the social responsibility objectives of the company and continuously contribute to Upgrading the company, in addition to engaging the employees in the implementation of the CSR program by contributing to the various community activities carried out by the company.



**Abdullah Hamad Al-Terkait**  
**Chairman of Board of Directors**