

## Corporate Governance Report for the year 2019

### Company Vision towards the Principals of Governance:

Corporate governance is one of the main outstanding features Al-Safat Investment Co. working towards its continuous implementation. The company is complying with standards and effective procedures to insure ideal application for the principals of governance.

Corporate governance secures transparency and integrity of business. It creates a proper environment where correct transactions are applied in addition to upmost protection of shareholders' interests, while creating a platform where healthy means of communications between the company & its associates take place.

The corporate Governance report is one of main communicative platforms between the company and its audience. It usually represented by group of regulations and procedures implemented to manage & Control Companies. It also coordinate the relations between Board of Directors, Executive Management, Shareholders and other related parties, in addition to implementation of corporate social responsibility activities.

This report will show ASICs compliance in this regard.

### Rule 1:

#### Forming a Balanced Structure for the Board of Directors:

Board of director's diversity is one of the main factor of success especially in the current days, due to rapid progress in the business environment. Al Safat Board of Directors includes professional personals with careers full of experiences and skills which reflects positively on tasks & duties performed by the board.

Board of Directors of Al-Safat Investment Co consists of a suitable structure accommodating to the size and nature of company's activities, assigned tasks and responsibilities of members taking into consideration, the diversity of skills & professional and practical experiences. The Remuneration & Nomination committee verifies that board members and executive management is fulfilling all requirements efficiently and with integrity.

The Board of Directors of Al-Safat Investment Co. consists of seven members elected by the company's shareholders during the Ordinary General Assembly meeting held on 5th May 2019 for three years upon Kuwait Capital Market Authority approval on the elected names.

The Board of Directors consists of five non-executive members and two independent members.

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:

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: 14 years.	5 <sup>th</sup> May 2019
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	- Master of Business Administration. - Bachelor degree in Finance. - Years of practical experience: 24 years.	5 <sup>th</sup> May 2019
Abdul Muhsen Sulaiman Al Meshan	Member/ Non-Executive	- Bachelor Degree in International Finance and Marketing. - Years of practical experience: 40 years.	5 <sup>th</sup> May 2019
Nasser Bader Al Sharhan	Member/ Non-Executive	- Bachelor Degree in Political Science and Marketing. - Years of practical experience: 22 years.	5 <sup>th</sup> May 2019
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with specialization in General and Strategic Management. - Bachelor Degree in Accounting. - Years of practical experience: 14.5 years.	5 <sup>th</sup> May 2019
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., Master and Bachelor Degree in Civil Engineering. - Bachelor Degree in Architecture. - Years of practical experience: 42 years.	5 <sup>th</sup> May 2019
Abdul Razzaq Zaid Al Dhubayan	Member/ Non-Executive	- Bachelor Degree in Civil Engineering. - Years of practical experience: 15.5 years.	5 <sup>th</sup> May 2019
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. - Years of practical experience: 22 years.	23 <sup>rd</sup> Feb. 2014

The board of directors dedicate sufficient time to review all tasks & responsibilities assigned to them, board meetings assembles as per chairman's invitation

### Board of Directors Meetings Log:

The board of directors held ten meetings in 2019

Member name	No. 1 dated: 15/1/19	No. 2 dated: 22/1/19	No. 3 dated: 28/2/19	No. 4 dated: 18/3/19	No. 5 dated: 2/5/19	No. 6 dated: 6/5/19	No. 7 dated: 4/8/19	No. 8 dated: 2/10/19	No. 9 dated: 13/11/19	No. 10 dated: 29/12/19
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	√	√	√	√	√	√	√	√	√	√

During 2019 no signed decisions were taken without the attendance of all board members.

### Implementation of Required Coordination & Registration of Board Meetings Minutes.

Board of director's secretary is responsible for assisting the chairman in the Board of Directors various issues including the process of coordinating, regulating and attending Board of Directors meetings. The secretary shall assure meetings are compatible with the regulatory requirements by preparing meeting's agenda & sending invitations three days prior with the exception of emergency meetings. Secretary also documents board members discussions & discussions with accurate registration of voting logs insuring that all Board documents are safely kept.

The Board of Directors secretary responsibilities also includes assuring that Board of Directors is obligated with the approved procedures that related to passing the data for the members, committees and executive management under the supervision of chairman. It is needed to get the approval of board of directors to distribute these decisions for the various competent departments to apply and follow up the process of applying the decisions of Board of Directors.

In addition to that, the secretary of Board of Directors shall be responsible for registration procedures, coordination and keeping the minutes of committees' meetings. This process includes preparing, issuing the schedule of works and inviting the members for meetings upon the approval of committee's chairman. The secretary shall present the basic information for the members in every meeting and he shall embassies on the place and time of meeting. In addition, distributing the schedule of works and the supporting documents for each member in the committee.

These procedures shall include registering the names of members in the meetings, preparing the minute of each meeting for the committee to be presented for the appointed head of committee and its members to approve it. The secretary shall state the procedures and decisions that had been passed in each meeting in the minutes of committee's meeting.

## **Rule 2:**

### **Proper Identification of Tasks and Responsibilities**

Company policy on assigning responsibilities & duties to Board of Directors and executive management. In addition to scope of authority & power delegated to the executive management.

Al-Safat Investment Co. specified in details the tasks, responsibilities and duties of each member in board of directors and the executive management besides the powers and competencies that had been assigned for the executive management according to the policies and regulations that are approved by the Board of Directors. The statute of the company reflects the responsibilities of board of directors clearly to be matched with the instructions of regulatory entities. No specific party in the company shall have an absolute power and board of directors shall not issue any kind of unlimited authorizations. Board of directors especially the chairman shall perform the duties and responsibilities that had been assigned for them upon the regulations of corporate governance. It doesn't neglect the great role of the executive management which committed also to manage the assigned tasks and responsibilities upon the regulations of corporate governance.

#### **Board of Directors Key Tasks & Responsibilities:**

- Approving strategic goals, plans and important policies of the company & implementing periodic follow up to all approved files.
- Stating the annual estimated budget and approving the interim and annual financial statements prior to submittal to the regulatory authorities.
- Overseeing the main capital expenditures of the company, owning & disposing of assets.
- Insuring company compliance with internal rules & regulations.
- Assuring the accuracy and correctness of data and disclosed information according to the applicable policy of disclosure and transparency.
- Creating informative communication channels to inform of the company activities.
- Forming specialized sub committees stemming from Board of Directors with clear specification of each committee duties and responsibilities.
- Defining the powers entrusted to each member of the executive management and supervising the implementation of each powers.

#### **Board of Directors Achievements during 2019:**

- Approving the annual financial statements for 2018 and quarterly reports of 2019 to be presented for the regulatory organizations.
- Approving new strategy and future work plan of the company for the following four years.
- Reforming board of directors and the affiliated committees.
- Following up with the executive management to insure effectiveness of the internal control systems that secure company's assets and keep the financial data and company's records accurate and safe. Following the regulations, systems and instructions during the process of following up and supervising the auditing tasks for the company's departments to measure the level of risks and avoiding it.
- Assessing the performance of Board of Directors during 2019. In addition to the self-assessment of

the members of Board of Directors and assessing the performance of executive manager during 2019. In addition to approving the assessment's result of affiliated committees members.

- Approving the International Financial Reporting Standard IFRS16 regarding lease contracts
- Approving the annual and estimated budget for 2019 and 2020.
- Activating the credit activity for the company that is submitted for the control of Central Bank of Kuwait. In addition to approving the updated policy of credit policy for the company and forming special committee for the credit activity.
- Recommending to take the proper procedures regarding notes mentioned in the field inspection report of Kuwait Capital Markets Authority.
- Assessing the performance of The Board of Directors in 2019 and approving the appraisal of the affiliated committees. In addition to assessing the role of the executive manager of the company.
- Approving the settlement and exit contracts from foreign investments.
- Approving the updated policy for combating money laundering and terrorism financing. In addition to approving the annual report for combating money laundering and terrorism financing that is issued from the compliance manager prior to sending this report to the Kuwait Capital Markets Authority. Approving the report of risk assessment (half-year).
- Resuming the reconstruction of the company's structure.
- Following up with Qatar National Bank case and its latest updates.

### **Required implementations to forming the specialized independent committees by the Board of Directors:**

Board of directors had formed sub-committees to perform specialized tasks, the board also specified each committee power & agenda and insured its competency with experiences, practical and technical skills that enables them to manage the assigned tasks in the best way.

#### **1. Audit Committee:**

Date of forming the committee: 6th May 2019

The term of committee: related to the period of current Board of Directors.

Members of committee:

Mr. Fahad Abdul Rahman Al Mukhaizim (Chairman of committee)

Mr. Dr. Anwar Ali Al Naqi (Vice Chairman)

Mr. Nasser Bader Al Sharhan (Member)

The number of meetings held in 2019: (8 meetings)

Tasks and achievements of the committee within 2019:

- Reviewing the interim financial statement (quarterly and annually) and the report of internal auditor to approve it initially before sending it for the Board of director to get the final approval. The committee will assure the accuracy of company's financial statement, independency and integrity of the external auditor who has independent opinion that is attached the annual report of the company.
- Discussing and studying the notes that are mentioned in the report of external auditor.

- Presenting the reports of internal auditor for the company's departments and recommending to deal with the various notes that are included in the report.
- Approving the plan of internal auditing for the company's departments.
- Reforming the auditing committee and electing the chairman and deputy chairman of the company upon finishing the elections of Board of Directors.
- Upon the report of field inspection report that is issued from Kuwait Capital Markets Authority that recommend to appoint Director of Internal Auditing in the company (Mr. Hasan Qaqish).
- Recommending to appoint new external auditor for the company.
- Recommending board of directors to approve International Financial Reporting Standard "IFRS16" regarding lease contracts instead of adopting IFRS17.
- Reviewing and adopting the report of the internal control review (ICR) of the company for 2019, which is prepared by the Office of Al-Eiqi Legal Auditors in Kuwait that is sent to Kuwaiti Capital Markets Authority, then authorize the internal auditor to follow up and deal with the notes.
- Reviewing and approving the report of quality assessment for the internal audit department for the previous three years that had been prepared by KPMG Safi Al Mutawa Partners.
- Recommending to reappoint a specialized Internal Audit Office to assist the Internal Audit Manager to perform his duties and prepare internal audit reports for the various departments of the Company for the year 2019.
- Conducting the annual performance assessment for the members of the Committee for the year 2019 then submitting the results to board of directors to be approved.
- Approving to re-classify the terms of budget of second quarter of 2019 upon the request of external auditor.
- Approving the quarterly annual report that is received by legal internal auditor and authorizing him to follow up this matter with the departments of the company to deal with the notes.

## 2. Risk Committee:

Date of forming the committee: 6th May 2019

The term of committee: related to the period of current Board of Directors.

Members of committee:

Mr. Dr. Anwar Ali Al Naqi (Chairman of committee)

Mr. Abdul Muhsen Sulaiman Al Meshan (Vice Chairman)

Mr. Abdul Razzaq Zaid Al Dhubayan (Member)

The number of meetings held in 2019: (5 Meetings)

Tasks and achievements of the committee within 2019:

- Approving special strategy for risks that may face the company which specifies several types of risks. Authorizing the responsible person from risk department to follow up this strategy and applying it.
- Assisting board of directors in specifying and assessing the main risks of the company and verifying that the company is managing these risks efficiently and effectively.
- Following up and providing recommendations for the board of directors regarding risk report (half-year).

- Reforming the audit committee, electing the chairman and deputy chairman of the committee upon finishing the election of Board of Directors.
- Conducting the annual performance assessment for the members of the Committee and the director of risks department then submitting the results to board of directors to be approved.

### **3. Nomination and Remuneration Committee**

Date of forming the committee: 6th May 2019

The term of committee: related to the period of current Board of Directors.

Members of committee:

Mr. Abdullah Hamad Al-Terkait (Chairman of committee)

Mr. Mishal Ahmad Al Jareki (Vice Chairman)

Mr. Nasser Bader Al Sharhan (Member)

The number of meetings held in 2019: (3 Meetings)

Tasks and achievements of the committee within 2019:

- Preparing the formats of annual assessment for the members of Board of Directors, members of the committees and the executive manager for 2019. These formats shall be filled and the results of assessment shall be sorted upon approving it from the Board of Directors.
- Conducting the annual performance assessment for the members of the Committee then submitting the results to board of directors to be approved.
- Reviewing and approving the remuneration report of the members of Board of Directors and the executive management within the year.
- Approving the committee for the nominees of Board of Directors membership upon verifying that they are satisfied with all the conditions and requirements according to efficiency and integrity that are determined by Kuwaiti Capital Markets Authority.
- Studying the independency requirements that should be fulfilled by the independent member in board of directors and accepting to specify two members in board of directors as independent members.

### **4. Provision Committee:**

Date of forming the committee: 6th May 2019

The term of committee: Depending on the decision of Board of Directors.

Members of committee:

Mr. Abdul Razaq Zaid Al Dhubayan (Chairman of committee)

Mr. Hasan Mahmoud Qaqish (Member and Reporter of committee)

Mr. Herarld Leo Fernandes (Member)

The number of meetings held in 2019: (1 meeting)

Tasks and achievements of the committee within 2019:

Proving and approving the allocations of the related members and other debts.

Proving and approving the additional allocation which is related to the fees of administrating the investment portfolios for the company's clients.

## 5. The Executive Committee:

Date of forming the committee: 25 Sep. 2016

The term of committee: Depending on the decision of Board of Directors.

Members of committee:

Mr. Fahad Abdul Rahman Al Mukhaizim (Chairman of committee)

Mr. Abdullah Hamad Al-Terkait (Vice Chairman)

Mr. Nasser Bader Al Sharhan (Member)

Mr. Mishal Ahmad Al Jareki (Member)

The number of meetings held in 2019: (None)

Tasks and achievements of the committee within 2019: (None)

## 6. Credit Committee:

During the year 2019, board of directors re-elected the members of the Credit Committee and adopted a working charter that clarifies its responsibilities and powers, based on the decision of board of directors to activate the financing activity of the company and subject to the supervision of the Central Bank of Kuwait.

The committee did not meet during the year 2019, as no customer requested credit facilities during the year.

**Brief on how to implement the requirements that allow Board Members to obtain information and data in an accurate and 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 enables 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

#### Select persons with competence for board membership and executive management

**Brief about applying the requirements for forming the Nomination and Remuneration Committee:**

Board of directors formed the Nominations and Remunerations Committee, which is independent and specializes in preparing recommendations related to the nominations, positions of members of the Board of Directors, the executive management, policies and regulations, granting compensation and bonuses, provided that the membership period is three years unless board of directors decides otherwise, and it consists of three non-executive members, including the Chairman of the Committee, in addition, one of the members of the Nomination and Remuneration Committee is an independent board member. Board of directors is also keen that the Nomination and Remuneration Committee perform the tasks and responsibilities to be adhered to in accordance with what is stipulated in the corporate governance rules, and that the committee meet regularly at least once every year and when needed.

The nomination mechanism in place within the company guarantees the continuity of selecting and attracting competencies to join either to run for membership in board of directors or the executive management. Board of directors has formed a Nomination and Remuneration Committee



in accordance with the governance rules. The formation of the Committee includes an independent member, and board of directors has approved that the Committee's work charter approved by board of directors includes the following:

- Recommendation to accept the nomination and re-nomination of the Board Members 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 skills requirements appropriate to the membership of board of directors 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 Council 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.

### **Remuneration report granted to members of board of directors and executive management**

A separate report on the bonuses and benefits granted to members of board of directors and the executive management of Al-Safat Investment Company and its subsidiaries was prepared during the year 2019.

### **Rule Four**

#### **Ensuring the integrity of Financial Reports**

Written pledges by board of directors and the Executive Management of the integrity of the financial reports prepared.

From the contents of the company's annual report, we provide you with written pledges to both the board and executive management of the integrity of the financial reports prepared.

#### **Brief on applying 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, without limitation:

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

- Recommend to board of directors to appoint 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 to appoint the director of internal audit, and to review and approve 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 correct the observations
- Review matters related to the nomination of the external auditor and recommending that to the Board of Directors
- Recommend to assign an independent audit office to evaluate and review internal control systems, and prepare a report in this regard (Internal Control Report)
- During 2019, 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**

- On 05 May 2019, the Ordinary General Assembly approved the appointment of the company's external auditor for the year 2019, Mr. Badr Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young).
- The external auditor of the company is registered with a special register with the Capital Markets Authority, which is independent of the company and its board of directors, the external auditor is invited to the general assembly meetings, and the report prepared by him is read out to the shareholders, and the external auditor is allowed to attend and discuss his views with the audit committee before submitting the annual and interim financial statements to the Board for decision.

### **Rule Five**

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

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

The company has an independent risk management department that works to identify, measure and follow up on the risks to which the company is exposed and put effective systems and procedures to be approved by the risk committee. It also reviews deals according to the rules of governance. The risk management consists of qualified human cadres who have professional competencies and technical capabilities. Those responsible for risk management also enjoy independence through their direct subordination to board of directors as reflected in the organizational hierarchy of the company, as well as enjoying a large amount of powers without granting them financial powers and authorities.

##### **Requirements for the formation of a risk management committee:**

In addition, the company's board of directors formed the risk committee, which is independent and specializes in risk management, so that 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 sees otherwise, and it is formed of three non-executive members, including the Chairman of the Risk Committee, and the Chairman of board of directors is not a member of it. The Risk Committee performs the tasks and responsibilities to be adhered to as stipulated in the rules of corporate governance, and the Risk Committee meets at least four meetings during the year with transcribing minutes of its meetings.

The main role of the Risk Committee is to supervise all matters related to risk management, and to contribute to the development of policies and regulations and contribute to the development of risk management policies and regulations consistent with the company's tendency to take risks, in addition to the Committee's implementation of the following requirements:

- Review the company's risk management policies and procedures and recommending them to the Board for approval.
- Evaluate the systems and mechanisms for identifying, measuring and following up the types of risks that the company may be exposed to.
- Ensure the independence of the risk management staff and that they have a full understanding of the risks surrounding the company
- Review reports related to risks, which are sent to the Capital Markets Authority periodically, and working to give crisis solutions and follow-up with risk management to address the risks mentioned in the reports.
- Review the issues raised by the risk audit committee.

### **Internal Control and Control Systems:**

Al-Safat Investment Company has put effective control systems, procedures and tools for risk management and internal control to cover all the company's activities. The company is also constantly developing periodic reporting systems for all departments operating in the company as it is one of the most important effective tools in the process of monitoring performance, control and risk reduction, and that by applying the principle of dual control to ensure proper identification of powers and responsibilities, complete separation of duties and non-conflict of interests. The company also has the Supervision and Internal Auditing Department, and board of directors is keen to activate its role and support to ensure the achievement of the highest level of internal control

The company also has a department for compliance and integrity that includes many distinct skills and expertise to ensure compliance with all laws and regulations, and is one of the most important tools of internal control and control within the company and works in cooperation with the audit and risk management department to ensure the application of the procedures of examination and dual control and board of directors is keen to activate its role continuously.

### **Requirements for forming an independent internal audit department:**

Al-Safat Investment Company has an independent audit department that works to ensure the adequacy of the company's internal control and internal control systems. The audit department consists of qualified human cadres who have professional competencies and technical capabilities. Those responsible for the audit department also enjoy independence through their direct affiliation with the audit committee and by extension to board of directors as reflected in the organizational hierarchy of the company, as well as they have a large amount of powers, including the financial powers to maintain the financial situation of the company, the accuracy of its data and the efficiency of its operations in various aspects.

### **Rule Six**

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

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

Al-Safat Investment Company has prepared a charter of work conduct for board of directors in addition to a work charter for employees in all departments, administrative and functional categories, internal policies and other guidelines for compliance with the laws governing the company's operational

operations. Board members are expected to make rational judgments in all matters to ensure the protection of the interests of clients, employees and other stakeholders and to maintain an effective, positive, harmonious and productive work environment based on cooperation.

Board of directors and the Executive Management and all employees are bound by the Code of Business Conduct while assuming the tasks and responsibilities assigned to them, including this dealing with honesty and integrity, maintaining the confidentiality of information, and allocating sufficient time to assume specific responsibilities, among others.

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

The company exerts due diligence in the application of policies with the aim of avoiding conflicts of interest, as the company has an approved policy that provides for reviewing all transactions of related parties on a regular basis to ensure fair practices and good conduct on the part of members of board of directors and employees, knowing that the board is monitoring and treating any potential interest that conflicts with the business interests of the company.

The company's board of directors has adopted a conflict of interest policy that aims to ensure the application of appropriate procedures to discover cases of fundamental conflict of interest and deal with them effectively. This policy is an integral part of the company's full commitment to integrity and fairness in dealing with stakeholders, and the policy set out the principles for dealing and managing cases Conflicts of interests, the concept of conflicts of interests, and parties whose interests conflict with the interests of the company, as well as the roles of the board of directors, executive management, compliance management, compliance, internal audit, and the general assembly of the company with regard to conflict of interests, as well as the mechanism of disclosure.

### **Rule Seven**

#### **Accurate and timely disclosure and transparency:**

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

Board of directors has organized disclosures for all members of the Board of Directors, executive management and potential investors through a record of their disclosures available for review by all the shareholders of the company to view it through the Investors Affairs Unit without any fee or charge. This record is updated periodically to reflect the reality of the related parties.

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

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

- Board of directors has put in place presentation and disclosure mechanisms to comply with corporate governance rules.
- The company has established a record of disclosures of board members and executive management.
- The company established the Investors Affairs Unit to be responsible for making available and providing the necessary data, information and reports to its potential investors. Investors Affairs Unit has the appropriate independence to follow directly to the Board of Directors, and in a way that enables it to provide data, information and reports in a timely and accurate manner, and that this should be done through common means of disclosures, including the company's website.
- The company has also developed the infrastructure for information technology and relied heavily on it for disclosures. A dedicated corporate governance section is available on the company's website.

### **Requirements for forming an Investor Affairs Unit:**

On 25 December 2018, Company's Board of Directors appointed Mr. Abdulaziz Abdel Muhsen Al-Meshan as Investor Affairs and Social Responsibility Unit official to implement and complete the tasks of board of directors of Al-Safat. He will establish a special unit to organize the affairs of investors in compliance with the provisions of the corporate governance rules. Work has been done on preparing policies and procedures for the unit's operation, so that it regulates the mechanism for dealing with investors and is responsible for providing the necessary data, information and reports to investors and shareholders, through recognized disclosure methods.

### **IT Infrastructure Development:**

Al-Safat Investment Company uses information technology to facilitate disclosure procedures so that it is interested in using the information technology infrastructure in the disclosure process, as the company has several mechanisms in place to record and submit financial and non-financial data, including the company's website that provides all relevant information to current and potential investors accurately and timely.

### **Rule Eight**

#### **Respecting the rights of shareholders:**

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

Al-Safat Investment Company follows some rules to ensure fairness, equality, and transparency for all shareholders, where board of directors formulated a policy for shareholders that would enable shareholders to exercise their rights in a conscious manner; this includes providing all information related to the company in a fair, systematic and easy manner, including the company's financial performance, goals and plans strategy, corporate governance and risk profile. Shareholders are also encouraged to participate actively in the meetings of the company's assemblies by sending the necessary invitations to shareholders including the agenda, the necessary attachments, and the time and place of the meeting; as well as stating the shareholders' rights by exercising the right to vote without any obstacles.

Some shareholders' equity includes, but is not limited to, the following:

- Right to receive dividends.
- Right to obtain a portion of the company's assets in the event of liquidation in accordance with the provisions of the Companies Law.
- Right to obtain information and data related to the company's activities and strategy on a regular basis.
- Right to participate in general assembly meetings and to vote according to laws and regulations.
- Right to vote while voting for the membership of the Board of Directors.
- Right to monitor the performance of the company in general and board of directors in particular.
- Right to hold members of board of directors and executive management of the company accountable in accordance with the provisions of the Companies Law.
- Right to record the value of shares held
- Right to register, transfer and assign ownership of shares.
- Right to review the shareholder register.

### **Create a private record kept with the clearing agency:**

A private record of shares and shareholders 'data is kept with the Kuwait Clearing Company in accordance with the rules of corporate governance, and the Investor Relations Officer maintains an updated copy of the shareholder's record periodically. The record is available to all shareholders for review at the specified dates, in accordance with the law, and without any fees

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

Al-Safat Investment Company allows its shareholders to participate effectively in the general assembly meetings, and discuss the topics on the agenda, and shareholders have the right to vote on the decisions of the general assembly, whether on behalf or by agency, and all information regarding voting rights is provided to all potential shareholders and investors, permanently and continuously.

The company sent an invitation to the shareholders during the year 2019 to attend the ordinary general assembly meeting, based on the rules and laws regulating and issued by the regulatory authorities. The company, when organizing the general meetings of the shareholders, shall send an invitation to attend the general assembly that includes the agenda and determines the meeting time and location by advertising twice in daily newspapers of the State of Kuwait. The company also provides the shareholders with sufficient time before the General Assembly all the information and data related to the agenda items, particularly the reports of the Board of Directors, the auditor and the financial statements.

### **Rule Nine:**

#### **Understand the role of stakeholders**

Systems and policies that protect and recognize the rights of stakeholders

Al-Safat Investment Company has put in place the systems and policies that protect the rights of stakeholders as follows:

- The company has a policy that includes rules and procedures that ensure protection and recognition of the rights of stakeholders and allow them to obtain compensation in the event of any violation of their rights, according to what is stated in the rules of corporate governance.
- None of the stakeholders obtains any advantage through dealing in contracts and deals that fall into the Company's regular activities.
- The company has internal policies and regulations that include a clear mechanism for awarding contracts of various kinds, through tenders or various purchase orders. This mechanism is fully disclosed.
- The company shall work to encourage the stakeholders to participate in following up the various activities of the company in a manner consistent with achieving its interests in full according to what is stated in the rules of governance.

### **Encourage stakeholders to participate in following up the company's various activities**

Board of directors of Al-Safat Investment Company has performed its responsibilities effectively so that it has worked to create effective communication channels to build the required trust between

the stakeholders, the executive management and the Board of Directors. Among the communication channels, financial reports must be prepared in a timely manner in accordance with the rules of the Capital Markets Authority and any other regulatory authorities. The company provides the information, data, books, records and tools required from the relevant stakeholders in accordance with the applicable laws and regulations.

Al-Safat Investment Company is subject to the set of laws, regulations and instructions issued by the relevant regulatory authorities. It is the responsibility of board of directors to ensure that the company adheres to these laws, regulations and instructions. The company also guarantees the protection of the rights of stakeholders; it also expects all stakeholders to fulfill their obligations governed by contracts, laws and regulations issued by the relevant regulatory authorities

## **Rule Ten**

### **Enhance and improve performance**

**Mechanisms that allow the members of board of directors and the Executive Management to obtain continuous programs and training courses.**

Al-Safat Investment Company has put in place mechanisms for each of the members of board of directors and the Executive Management to obtain training programs and courses on an ongoing basis, according to what was stated in corporate governance. For each of the current members of board of directors and executive management and work to encourage these programs, workshops and conferences related to the company's work to develop their skills and experiences and keep abreast of developments in a way that helps them to perform the tasks assigned to them.

### **Evaluating the performance of board of directors and the performance of each member and executive management**

The company worked on setting policies and systems and evaluating the performance of each member of board of directors and executive management periodically. It also create a set of performance measurement indicators related to the extent of achieving the strategic goals of the company and the quality of risk management and the adequacy of internal control systems, so that performance indicators can determine points of strength, weakness and suggestion to address them in line with the company's interest

During the fourth quarter of 2019, a performance evaluation was conducted for each of the Board of Directors, its members and the committees emanating from it, in addition to evaluating the performance of the CEO of the company, through performance evaluation forms prepared by the Remuneration and Nominations Committee. Board of directors worked on approving all evaluation results in compliance with what it has been stipulated in corporate governance and internal policy.

### **The efforts of board of directors to create institutional values for the employees of the company**

In the interest of Al-Safat Investment Company to create institutional values of the employees of the company through permanent work to achieve the strategic goals of the company and improve performance rates and adhere to the laws and instructions on the governance rules. The company provided the integrated report systems to help achieve the strategic goals of the company and create institutional values according to what was stated in the governance rules.

## Rule Eleven

### Focus on the importance of social responsibility

Policy that ensures a balance between both the company's goals and society's goals

Al-Safat Investment Company is committed to achieving alignment with its work and strategy on the one hand and with responsibility towards the environment, society and major stakeholders. This policy aims to give the company, in the context of its management of social responsibility, including the achievement of sustainable development of society and workers by contributing towards reducing the level of unemployment in society and achieving optimal use of available resources. The company also seeks to enhance and achieve knowledge and awareness among its employees of the importance of social responsibility programs through various programs of communication with workers and communication tools.

On 27 October 2019, Al-Safat Investment Company, in cooperation with the Central Blood Bank, organized a day to donate blood, in response to the call of the national duty, to fulfill the need of the Ministry of Health from the blood supply to serve the humanitarian and emergency cases, and benefit the community as a whole and is considered one of the responsibilities of the community companies that must be followed regularly because it benefits not only at the community level, but also on the blood donor himself.

The social responsibility of the private sector has become part of the strategy of many private sector companies through which different groups or distinctive community projects are supported with a clear institutional framework that follows corporate governance regulations and the country's laws. The social responsibility activities of the Al-Safat Investment Company aim to support students in various higher education institutions in the country in addition to the youth segment, expressing that the private sector is betting on Kuwaiti youth in its growth.

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

Al-Safat Investment Company has prepared the policies that guarantee the mechanism of disclosure of the social responsibility goals that the company carries out for its employees. Awareness and educational programs are implemented for the employees of the company to ensure their familiarity with the social responsibility goals that the company carries out continuously in a way that contributes to raising the level of the company. In addition to involving workers in the implementation of the social responsibility program by contributing to the various social activities carried out by the company.



**Abdullah Hamad AlTerkait**  
**Chairman of Board of Directors**