



# Corporate Governance Regulations for AL Mazaya Holding



MAZAYA

AIM TO LEAD

Corporate governance rules are represented in the principles, systems and procedures which achieve the best protection and balance between the Company's interests, its shareholders and other stakeholders related to it. The fundamental objective of implementing the corporate governance rules is underlined by the Company's being in line with the shareholders' goals which promotes the investors' confidence in the efficiency of the Company's performance and its ability to face crises, as the corporate governance rules regulate the methodology of taking all decisions within the Company and motivate the existence of transparency and credibility for such decisions.

Among the most significant corporate government rules are the protection of shareholders and separating the executive authority which directs the Company's businesses from the board of directors which prepares and reviews the Company's plans and policies, and thus adds assurance and promotes the feeling of confidence in dealing, as well as enable shareholders and stakeholders to efficiently control the Company.

On 27 June 2013, the Capital Markets Authority issued decree No.25 of 2013 in connection with issuing the governance rules for companies subject to its supervision. The issuing of such rules comes under the framework of the provision of article No.(40) of the executive regulation of law No.7 of 2010 in connection with establishing the Capital Markets Authority and Regulation of Securities Activity, that the Authority issues a special system for governance. This is in addition to the provisions of article No.217 of the decree law No.25 of 2012 promulgating the Companies Law and its amendments, which stipulated that "the concerned regulatory bodies shall lay down the corporate governance rules for companies subject to their control, in order to achieve the best protection and balance between the interests of the Company's management, its shareholders and other related stakeholders. Further, it illustrates the requirements which should be available in the independent members of the board of directors.)

Such rules were amended by decree No.48 of 2015 passed on 30/6/2015, which have been re-enacted within Part Fifteen of the executive regulation of law No.7 of 2010 in connection with establishing the Capital Markets Authority and Regulation of Securities Activity. These rules have been applied on 30/6/2016.

The corporate governance rules addressed a number of fundamental principles and requirements upon which the principles of corporate government are established, as well as the methodology of implementing such rules and principles. The methodology illustrates the guideline methods for the mechanism of proper activation of the governance principles, including the existence of a balanced structure of the board of directors which comprises non executive and independent members, outlining the responsibilities and terms of reference of the members of both the board of directors and executive management, method of selection of candidates to the membership of the board of directors and executive management,

ensuring the integrity of the financial reports, the necessity of availability of proper systems for risks management and internal control, keenness to foster professional conduct and ethical values, the significance of the existence of mechanisms for disclosure and transparency mechanisms, protection of the shareholders' rights, recognizing the role of stakeholders and controlling the conflict of interests, promoting and enhancing performance, as well as stressing on the significance of the social responsibility shouldered by companies.

Keeping in line with the positive moves taken by the Capital Markets Authority through the rules, regulations and decrees through which it seeks to enhance the work environment, transparency and protection of shareholders, and as the Company is keen to implement all the laws, legislations, decrees and practices which are in line with its principles and professional foundations leading the Company's work for the interest of its valuable shareholders, the Company always aims at focusing its efforts through the integrated team to implement all the laws and decrees in the required professional manner in the specified time.

## First Rule

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

- The board of directors' role represents the balance point which acts to achieve the objectives of the shareholders and follow up the executive management of the Company. The board of directors aims at achieving the Company's strategic objectives through the executive management's undertaking of the tasks entrusted to it in a perfect manner. Whereas the board of directors' decisions largely on the Company's performance and the safety of its financial position, therefore the Company addressed concern that its board of directors consists of a sufficient number of members (five members) to permit it to form the required number of committees emanating from it under the framework of the corporate governance rules. The composition of the board of directors has taken into consideration the diversity in experiences and specialized skills to contribute in fostering competence in taking decisions. Further, all members of the board of directors are non executive members. The board comprises one independent member. The Company board of directors assigns the sufficient time to undertake its mandated tasks and responsibilities, including preparation for the meetings of the board and the board committees, keenness for attending these meetings, as well as organize meetings of the Company board of directors according to the provisions of the law and the corporate governance rules. Further, a special register has been created in which the minutes of the board meetings are written in serial numbers for the year in which the meeting was held, indicating the venue of the meeting, its date, starting and ending hour. The board has appointed the board secretary from among the Company personnel and determined his tasks according to the Corporate governance rules in line with the responsibilities mandated to him. Further, the tasks and responsibilities of each of the board of directors and executive management were clearly outlined in the policies and regulations approved by the board which reflect the balance in the powers and authorities between each of the board of directors and executive management, and so that none of the parties has absolute authority, in order to facilitate the Company's operations.

The board of directors consists of five members and one secretary as follows:

Name	Member classification	Capacity	Election date/appointment of the secretary

Mr. Rasheed Yaccoub Al Nafisi	Non executive	Chairman	28/3/2016
Mr. Abdulrahman Mohamed Rashed Al Shared	Non executive	Deputy chairman	28/3/2016
Mr. Mohamed Deeb Mehrez	Non executive	Board member	28/3/2016
Mr. Mohamed Khaled Othman Al Othman	Independent	Board member	28/3/2016
Mrs. Rasha Abdulla Muhlhal Al Qennai	Non executive	Board member	28/3/2016
Ibrahim Abdulrahman Al Soqabi	Secretary	CEO	28/3/2016

- Board of Directors Members Curriculum Vitas

### **1) Mr. Rasheed Yacqoub Al Nafisi (Chairman)**

He holds a bachelor degree in accounting management from the Faculty of Commerce, Economics and Political Science – Kuwait University.

Mr. Rasheed Al Nafisi has a track record of achievements exceeding 41 years in the field of business management and real estate management and development. Al Nafisi's career is distinguished by the multiple posts he held throughout his past years of work, which played a significant role in manifesting his clear academic and practical experience and outstanding administrative skills. He held the post of the executive president of Al Nafisi United Group. He has also held the post of Real Estate Loans Department in Kuwait Real Estate Bank. As for his membership in the boards of directors of companies and banks, he held the post of member of the board of directors in each of the Farmers Union, the board of directors of the Commercial Bank of Kuwait and Loans Committee, the board of directors of Kuwait and Asia Bank, the board of directors of Kuwait Airways Corporation, and member of the board of directors of Mazaya Qatar company. Mr. Rasheed has a long experience in exercising free business in the field of real estate development and contracting. Mr. Rasheed Al Nafisi was the chairman of the National Investments Company. Currently, he is the CEO of Yaccoub Al Nafisi General Trading & Contracting Company and the chairman of Mazaya Holding Company since its incorporation.

### **2. Engineer Abdulrahman Mohamed Al Shared (deputy chairman)**

He is a holder of masters degree in environmental sciences and bachelor degree in architectural engineering.

Al Shared held senior positions in numerous sectors, and contributed in October 2004 in the establishment of Awqaf and Minors Affairs Foundation. He hold its secretary general's post up to May 2009. Further, he held the post of manager of the General Maintenance and Projects Sector in Dubai Municipality during the period from 2001 to 2004. He has also held the post of manager of the Government Building & Housing Department. Currently, he is a member of the board of directors or numerous companies including: Zayed Housing Program, Dubai International Trading Centre, Dubai Investment, UAE Glass Company, Dubai Handicapped Voluntary Club and Bait Al Khair Voluntary Society.

### **3. Mr. Abdulhameed Mohamed Deeb Mehrez (member of the board of directors)**

He is a chartered financial auditor (CFA) since 2005. He holds a masters in business administration (finance major) from the American University and Bachelors of Science from the American University in Beirut.

He holds practical experience of 13 years in the field of investment banking services, asset management and capital markets. He is currently responsible for management of a portfolio of private assets worth 600 million dollars, which requires a proactive management, with concentration on the creation and promotion of value and guarantee of transaction in assets. He is also a member of the board of directors of a number of regional and international companies in the real estate, insurance, food, industrial sectors and financial services sectors. During his career, he participated in a number of banking investment transactions of value amounting to approximately 700 million dollars, such as financial consultancies assessments, merger and acquisition processes, increase of capital, issuing of bonds, financial restructuring and listing processes.

#### **4. Mr. Mohamed Khaled Othman Al Othman (member of the board of directors)**

He holds a certificate in business administration major from the Australian College in Kuwait. He holds many specialized courses in the real estate field, including real estate valuation- theoretical methods and practical applications, effective sales tools and techniques from real estate perspectives, as well as courses in real estate marketing and real estate management, in addition to other certificates from different international institutes.

Mr. Mohamed Al Othman currently holds the post of marketing manger for Al Hamra Project in Al Hamra Real Estate Project. Further, he holds the post of member of the board of directors of Al Hamra Cinema Company.

Al Othman acquired several real estate experiences in the marketing and analysis field in the various real estate sectors during his work in Al Jal Real estate Services, Ajjal Real Estate Entertainment Company and Al Hamra Real Estate Company.

#### **5. Mrs. Rasha Abdulla Muhlhal Al Qannai (member of the board of directors)**

She holds a bachelors degree in biological sciences from Kuwait University, specializing in Molecular Biology and Genetics. She holds experience of more than sixteen years in the field of wealth management, which covers the various clients sectors all over the region, including sovereign Funds. She started her professional

life in the Global Investment House (Global) in the Corporate Finance Department. Then, she moved to the Wealth Department, where she contributed in the creation of this Department and chaired the Financial Solvent Retail Service Unit, after which she was promoted to head the Corporate and Institutional Clients Unit in Kuwait in December 2008. She was promoted to chair the Wealth Section in Kuwait and External Markets. She worked to develop the section and amendment of its strategy to be suitable in a better manner with the challenges facing the capital markets. In parallel form, she chaired and developed the Portfolio Management Unit which provides to the clients Funds managed by other parties.

#### **6. Engineer Ibrahim Abdulrahman Al Soqabi (Group CEO/board secretary)**

He holds a masters degree in business management from the College of Kuwait Maastricht for Business Management and a bachelors certificate in civil engineering from George Washington University, USA.

The professional career of engineer Ibrahim Al Soqabi includes practical experiences involving achievements and works in which he excelled in manifesting his academic and practical skills which reflected an outstanding performance in all the multiple posts he held over the past years, among the most prominent of which was the post of the general manager of the Kuwaiti Manager Group of Holding Companies, owned by Kuwait Finance House, the chairman of its subsidiary companies inside and outside Kuwait where he spent seven years, which is a group of specialized companies in providing support services for real estate development, including the execution and management of projects. He has earlier started his occupational life in Al Ahliea Contracting Group and Al Nakheel Real Estate Company. He has long experience in the field of corporate restructuring and execution of governance systems which include corporate operational systems, and laying down strategies for promoting its shares in the labor market. He has also held the post of member of the board of directors of several companies inside and outside Kuwait. As for his membership in real estate companies, he held the post of member of the board of directors of Baitak Real Estate Company, the Real Estate Trading Company, Al Enma'a Real Estate Company and Masaken Company.

- The Company board of directors held 11 meetings in 2016, which were all held at the Company management headquarters, except meeting No.6 which was held in Dubai Emirate, in Mazaya Dubai Company, one of the subsidiary Companies.
- Implementation of the registration and coordination requirements and keeping the Company board of directors meeting minutes



The board of directors secretary assists the board of directors on continuous and constant basis to ensure that they receive all the required information. Further, he assists the chairman with all matters related to the preparation of the agendas of the board meetings, issuing invitations to the board members, forwarding all the documents and information relevant to the agenda through the Boardvantage program at least three working days in advance of the meeting date, registering all the decrees and discussions held between the members, registering the results of voting of the members on the decrees, and coordinate and keep all the documents discussed during the meetings.

## **Second Rule**

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

- The corporate governance framework approved by the board of directors reflects the tasks and responsibilities of the board of directors, in line with the corporate governance rules, which are summarized in the following;
  - 1) Approval of the significant goals, strategies, plans and policies of the Company, including;
    - a) Laying down the comprehensive strategy for the Company, main action plans, their revision and direction.
    - b) Preparation of the Company capital structure and its financial objectives.
    - c) Laying down performance objectives, control of execution and comprehensive performance of the Company.
    - d) Update of the organizational and job structures in the Company and conduct periodical reviews on them.
  - 2) Approval of the annual estimated budgets and approval of the interim and annual financial statements.
  - 3) Participate in realizing the Company profits.
  - 4) Review of the periodical reports received from the executive management in connection with the progress achieved in the Company activity in light of the Company's strategic plans and objectives, including feasibility studies, financial and technical reports of the Company current and new projects, including:
    1. Ritim Istanbul Project- Turkey
    2. Oman Residence Project- Sultanate of Oman
    3. Q-Line Project- UAE
    4. Multi Purpose Plots Project MUs- UAE
    5. Sharq Land Project- State of Kuwait
  - 5) Supervising the major capital expenditures of the Company, acquisition and disposal of assets.
  - 6) Verify the extent of the Company's compliance with the policies and procedures which ensure the Company's observance of the

applicable internal systems and regulations, with support of the Board of Directors' Audit Committee and Risk Management Committee

- 7) Ensure the accuracy and soundness of the information and data which should be disclosed according to the applicable disclosure and transparency policies and rules.
- 8) Approval of the Company governance system in a manner which does not contradict with the corporate governance rules issued by the Capital Markets Authority, general supervision over it and controlling the extent of its efficiency and amending it if required.
- 9) Follow up the performance of each member of the board of directors and executive management according to the objective key performance indicators (KPIs), with the support of the Board's Nominations and Remunerations Committee.
- 10) Prepare the Company governance report to be read in the annual general assembly of the Company, which comprises the requirements and procedures for completing the corporate governance rules and extent of compliance with them.
- 11) Form specialized committees emanating from the Board according to a charter which indicates the committee duration, powers, responsibilities, method of the Board's control over it. Further, the composition decree includes the naming of the members, outlining their duties, rights and tasks, in addition to the evaluation and performance and works of such committees and their key members. The Audit Committee, Risk Management Committee, Nominations and Remunerations Committee and the Group Executive Committee have been formed according to the details set forth under this report
- 12) Update the financial and administrative authorities delegated to the executive management.

- The Company governance framework, approved by the board of directors, reflects the tasks and responsibilities of the chairman in line with the corporate governance rules, summarized in the following;
  - 1) Ensure the board's discussion of all fundamental matters efficiently and in the proper time.
  - 2) Support and assist the executive management and daily coordination with the executive president to follow up the operations of the holding company and subsidiary companies.
  - 3) Represent the Company towards third parties, as stipulated under the Company articles of association.
  - 4) Encourage all members of the board of directors to participate completely and efficiently in transacting the Board affairs to ensure the Board's undertaking of actions in favour of the Company.
  - 5) Ensure actual communication with the shareholders and submit their opinions to the board of directors.
  - 6) Encourage constructive relations and efficient participation between each of the board and the executive management.
  - 7) Create a culture encouraging constructive criticism on the issues on which there is a disagreement in views between the board members.
  
- The Company has a qualified team with a high standard of competence for the executive management members. The corporate governance framework reflects the tasks and responsibilities of the executive management, with which it complies, in light of the powers and authorities granted and approved by the board of directors. Summarized in the following:
  - 1) Execute all the Company internal policies, rules and regulations, as approved by the board of directors.
  - 2) Execute the annual strategy and plan approved by the board of directors.
  - 3) Prepare periodical reports (financial and non financial) in connection with the progress made in the Company's business in light of the Company's strategic plans and objectives and present such reports to the board of directors.

- 4) Lay down an integrated accounting system which keeps records, registers and accounts that reflect in details and accurately the financial statements and income accounts, which permit preserving the Company's assets and preparation of the financial statements according to the international accounting standards approved by the Capital Markets Authority.
- 5) Manage daily work and direction of the activity, in addition to the management of the Company resources in the optimum manner, gratify profits and reduce costs, in line with the Company goals and strategy.
- 6) Efficient participation in the building and development of ethical values culture in the Company.
- 7) Lay down internal control systems and risks management, and ensure the efficiency and sufficiency of such systems, and concern for compliance with the risks appetite approved by the board of directors.
- 8) Development of the infrastructure for information technology to provide the required data and information to take decisions in line with the Company expansion requirements and strategy.
- 9) Lay down a clear working mechanism in connection with following up the regulatory decrees and law relevant to the Company's nature of work in order to ensure strict compliance and implementation of the same.
- 10) Prepare the key performance indicators (KPIs) for all the Company personnel and evaluate their accomplished tasks in a periodical manner.
- 11) Form the Employees Relations Committee (ERC) which reviews the grievances submitted by personnel and submits recommendation in this respect to the Group CEO in the right time and in strict confidence.

- Board of Directors Committee

**1) Audit Committee:**

The Audit Committee has been re-composed of three members according to the board of directors decree dated 25 April 2016 for a period of three years.

Committee members	Post	Member classification
Mr. Abdulhameed Mohamed Deeb Mehrez	Committee chairman	Non executive
Mr. Mohamed Khaled Othman Al Othman	Committee member	Independent
Mr. Abdulrahman Mohamed Rashed Al Shared	Committee member	Non executive

Committee duties	<ul style="list-style-type: none"> <li>- Review of the periodical financial statements before presenting them to the board of directors, express the opinion and recommendation in this respect to the board of directors for the purpose of ensuring the fairness and transparency of financial reports, ensure the soundness and integrity of the financial reports and the Company internal control systems. The Committee held its periodical (quarterly) meetings in which the financial reports issued by the Company financial sector and the external auditor's office were discussed. The Committee submitted a recommendation for their approval to the board of directors. The financial reports guarantee and integrity mechanism forms were signed for each quarter</li> <li>- Follow up of the external auditors' works and ensure that they only submit the services required by the auditing profession to the Company.</li> <li>- Study the external auditors' remarks on the Company financial statements and follow up the developments in this respect.</li> <li>- Study the applicable accounting policies and express the opinion and recommendation to the board of directors in</li> </ul>
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this respect.

- Review of the transactions and dealings with the relevant parties and submit suitable recommendations in this respect to the board of directors.
- Evaluate the extent of adequacy of the internal control systems applied in the Company and prepare a report comprising the opinion and recommendation of the Committee in this respect.
- Technical supervision over the Internal Audit Unit in the Company in order to verify the extent of its efficiency in executing the works and tasks outlined by the board of directors.
- Recommend the appointment of the Internal Audit Unit manager.
- Review and approve the audit plans proposed by the internal auditor and express remarks on them. The Committee reviewed during its periodical meetings the Company internal audit plan and reviewed the internal audit works progress for the Company sectors/departments, whereby it reviewed the internal audit reports for the following sectors/departments:
  - Legal
  - Human resources and administrative affairs.
  - Marketing and sales
  - Finance
  - Projects
  - Real estate
  - Business development
  - Information technology.

Further, the Committee reviewed the replies of the concerned sectors/departments, and verified that the necessary corrective measures have been taken in connection with the remarks set forth under the reports.

	<ul style="list-style-type: none"><li>- In connection with the reports of the regulators, there were no remarks issued.</li><li>- Review of the annual report of the Legal Department and Compliance and Control Department.</li><li>- Recommend the board of directors to appoint and re-appoint external auditors or change them and fix their fees.</li></ul>
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## 2. Risk Management Committee

The Risk Management Committee has been re-composed of three members according to the board of directors' decree issued on 25 April 2016 for a three years period.

Committee members	Post	Member classification
Mr. Abdulrahman Mohamed Rashed Al Shared	Committee chairman	Non executive
Mr. Mohamed Khaled Othman Al Othman	Committee member	Independent
Mrs. Rasha Abdulla Al Qannai	Committee member	Non executive

Committee duties	<ul style="list-style-type: none"> <li>- Prepare and review the Risk Management Unit's strategies and work methodology and submit them to the board of directors, ensure the execution of such strategies and policies and that they are suitable with the nature and size of the Company's activities.</li> <li>- Ensure the availability of the sufficient resources and systems for risk management.</li> <li>- Evaluate the systems and mechanisms for determining, measuring and following up the various types of risks to which the Company may be exposed, in order to determine their shortcomings.</li> <li>- Assist the board of directors to identify and evaluate the acceptable level of risks in the Company, ensure that the Company does not exceed this level of risks following its approval by the board of directors.</li> <li>- Review the organizational structure of the Risk Management Unit and lay down the recommendations in this respect and submit them to the board of directors. It has been recommended to mandate the tasks of the Risks management to an external entity qualified to prepare periodical (quarterly) reports concerned with the management and assessment of the Company risks.</li> <li>- To ensure that the entity in charge of management has full</li> </ul>
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	<p>understanding of the risks surrounding the Company.</p> <ul style="list-style-type: none"><li>- Prepare reports on the nature of risks to which the Company is exposed and submit such reports to the Company board of directors.</li></ul>
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### 3. Nominations and Remunerations Committee:

The Nominations and Remunerations Committee was re-composed of three members according to the board of directors' decree issued on 25 April 2016 for a three years period.

Committee members	Post	Member classification
Mr. Rasheed Yaccoub Al Nafisi	Committee chairman	Non executive
Mr. Mohamed Khaled Othman Al Othman	Committee member	Independent
Mr. Abdulhameed Mohamed Deeb Mehrez	Committee member	Non executive

Committee duties	<ol style="list-style-type: none"><li>1) Recommend the acceptance of the nomination and re-nomination of members of the board of directors and executive management.</li><li>2) Review the remunerations policy of the board of directors and executive management members, determine the various segments of remunerations to be granted to employees such as the fixed remunerations segment, performance related segment, remunerations in the form of shares segment, end of service indemnities, benefits, advantages and other allowances segment, and review of the employees annual evaluation reports.</li><li>3) Lay down the job description for the executive members, non executive members and independent members.</li><li>4) Ensure that the independence capacity of the independent member of the board is not eliminated.</li><li>5) Prepare a detailed annual report on all the remunerations offered to the board of directors and executive management members, whether they are in the form of amounts of money, advantages or privileges, regardless of their type and name, and ensure the presentation of this report to the Company general assembly for approval and that it is read by the chairman.</li><li>6) Update a number of the Company policies and procedures,</li></ol>
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	<p>including the following:</p> <ul style="list-style-type: none"><li>- The Company updated performance measurement criteria matrix</li><li>- Personnel educational assistance policy</li></ul>
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#### 4) Executive Committee:

The Executive Committee was re-composed of three members according to the board of directors' decree issued on 25 April 2016 for a three years period.

Committee members	Post	Member classification
Mr. Rasheed Yaccoub Al Nafisi	Committee chairman	Non executive
Mr. Abdulhameed Mohamed Deeb Mehrez	Committee member	Non executive
Mrs. Rasha Abdulla Al Qannai	Committee member	

Committee duties	<ol style="list-style-type: none"><li>1) Ensure that the policies and regulations approved by the Company are characterized by transparency and clarity to permit the decision making process, and segregation of the powers and authorities between the board of directors and executive management. In this field, it carried out the following:<ul style="list-style-type: none"><li>- Recommending the approval of the internal rules and regulations concerned with the Company's business and its development, with the consequent identification of the tasks, specializations, duties and responsibilities between the various organizational levels.</li><li>- Recommending approval of the authorization policy and execution of works entrusted to the executive management.</li></ul></li><li>2) Control and supervise the performance of the executive management members and ensure their performance of all the duties mandated to them, as follows:<ul style="list-style-type: none"><li>- Ensure that the executive management is working according to the policies and regulations approved by the board of directors.</li><li>- Organize periodical meetings with the executive management to discuss the progress of work, its hurdles and problems, as well as review and discuss significant information relevant to the Company's activity.</li></ul></li></ol>
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### **Third Rule**

#### **Selection of Competent Persons for the Membership of the Board of Directors and Executive Management**

- Nominations and Remunerations Committee

The nomination mechanism to the membership of the board of directors and executive management ensures the continuation of attracting and selecting competent staff to join the membership of the board and executive management. Further, the Company's mechanism of offering remunerations was laid down by High Group Company, and approved by the board of directors and the Company general assembly, in order to keep competent staff and attract new competencies and to assist in fulfilling the Company's objectives and its progress. The Company board of directors has re-composed the Nominations and Remunerations Committee to consist of three non executive members of the Board, with one of its members as independent member. The board has specified the Committee membership tenure and its working method, as well as indicated the powers and responsibilities of the Committee in its charter, approved by the board. Further, the Company articles of associations stipulates a clear policy for offering remunerations to the chairman and members of the board of directors. Further, the Company remunerations policy is based on the following principles:

- Compliance with the provisions of the Companies Law and the relevant laws.
- Taking into consideration attracting and maintaining the best competent personnel.
- Ensure equality within the Company and competitiveness outside the Company.
- Transparency in offering remunerations

Board Members' Remunerations:

- The applicable remunerations and incentives system in the Company, particularly those related to the board members, has the highest transparency criteria, as stipulated by the governance rules, whereby the following are adhered to:
- The Board remunerations system complies with the provision of article 198 of the Companies Law No.1 of 2016 that it is inadmissible to estimate the total remunerations of the board of directors members by more than ten percent of the net profit after deducting depreciation, reserves and distribution of a profit not less than five percent of the capital to shareholders or any higher percentage stipulated by the Company memorandum
- The board members' remunerations shall be approved by the general assembly, pursuant to the recommendation of the Nominations and Remunerations Committee
- The independent board of directors member may be exempted from the aforesaid remunerations maximum limit pursuant to the approval of the ordinary general assembly.
- All the remunerations offered to the board members during the past years did not amount to 30% or 40% of the maximum limit of the permitted remunerations system.

#### **Executive management remunerations and incentives:**

The remunerations system of the executive management is associated with the key performance indicators (KPIs) for the executive management and the results realized by the Company, and includes the following:



#### Fixed remunerations:

- The level of the responsibilities entrusted to the employee, his occupational progress, experiences and competences.
- Fixed remunerations are determined, including the amounts, allowances, benefits and privileges, according to the job grades approved by the board of directors.

#### **Performance related remunerations:**

- Performance related remunerations are associated with achieving predetermined goals for each of the executive management and the Company.
- Performance related remunerations were laid down to motivate the executive management to double up the efforts and achieve the required goals.
- Performance related remunerations are reviewed and determined annually

#### **Remunerations in the form of shares:**

- As per the remunerations and incentives system approved by the general assembly, remunerations related to performance are offered to the executive management in the form of shares for specific job grades.

## **Fourth Rule**

### **Ensuring the Integrity of Financial Reports**

- Board of directors and executive management for the soundness and integrity of the financial reports

The soundness and integrity of the Company financial statements are among the most significant indicators of the integrity and credibility of the Company in presenting its financial position, which increases the confidence of shareholders and investors in the statements and information provided and disclosed by the Company to its shareholders. The Company executive management undertakes to the Company board of directors in writing that the Company financial reports are presented fairly and properly, and that they reviewed all financial aspects of the Company for the operational data and results, as well as being prepared according to the approved international accounting standards by the Authority. Further, the annual report submitted to shareholders by the Company board of directors comprises the undertaking of the soundness and integrity of all the financial statement as well as the reports relevant to the Company's activity. The said undertakings contribute in fostering accountability, whether the executive management's accountability by the board of directors or the board of directors' accountability by the shareholders.

- **Audit Committee Composition**

The Company has re-composed the Internal Audit Committee of three non executive members of the board of directors, including the independent member, who enjoy specialized experiences which are consistent with the nature of the Company's activity and enjoys full independence. Further, the Committee members include a member holding academic qualifications and practical experience in the accounting and financial field. The board has determined the Committee membership tenure and method of its work, as well as outlined the powers and responsibilities of the Audit Committee in its charter approved by the Board. The Committee met four

times in 2016 on quarterly basis. Further, it met with the Company external auditors and internal auditor. During the Committee's work, there was no contradiction between the Audit Committee's recommendations and the board resolutions.

- **Independence and neutrality of the Company external auditor**
- The Company ordinary general assembly appoints/re-appoints the Company auditor pursuant to the board of directors' resolution. The nomination of the auditor is pursuant to the recommendation of the Audit Committee. The Audit Committee takes into consideration that the auditor is registered in the Authority's special register, whereby he satisfies all the requirements of the Authority decree in connection with the auditors registration system, as well as ensure that the external auditor is independent of the Company and its board of directors, and does not undertake additional works for the Company which are not included within the auditing works, which may affect impartiality or independence. The Audit Committee holds discussion with the external auditor before submitting the annual accounts to the board of directors to take the decision in this respect.
- The external auditor prepares the annual ordinary general assembly meetings of the Company and reads the report prepared by it to the Company shareholders.

### **Fifth Rule**

#### **Laying Down Proper Systems for Risk Management and Internal Control**

- Risk Management Unit

The Company contracted with RSM Albazie Consulting, which is an independent external office for risk management in order to identify and measure the risks to which the Company is exposed. The Company organizational structure (approved

by the board of directors) comprises the independent unit for risk management, which operates basically for measuring, following up and controlling all types of risks facing the Company and is accountable to the board of directors directly. The external office laid down the effective systems and procedures for risk management by preparing the working methodology of the Risks Department and the job description of the risk officers in order for the Company to be capable of performing its main tasks represented in measuring and following all types of risks to which the Company is exposed. Further, the external office worked to develop the periodical reports system, as it is considered as one of the significant tools in the process of following up risks and controlling their occurrence. The personnel in charge of the external office enjoy independence as they are accountable directly to the board of directors. Furthermore, they enjoy a great extent of authorities in order to carry out their tasks in a perfect manner, and have no financial powers or authorities. The external office has available the qualified staff possessing the professional competencies and technical capacities. In the event of the existence of transactions or dealings carried out by the Company with related parties, the external office reviews the transactions and dealings and presents the suitable recommendations in this respect to the board of directors.

- Risk Management Committee

The Risk Management Committee consisting of three non executive members of the board of directors, including the independent member, have been re-composed. The board has outlined the membership tenure of the Committee membership and its working method. Further, it has stipulated the powers and duties of the Risk Management Committee within its charter, approved by the board. The Committee met four times in 2016 and discussed several topics related to its powers and duties, including the review and study of risks related to a number of the Company projects and submission of reports in this respect.

- Control systems and internal control:

- The Company has control systems and internal control covering all the Company's activities, which operate to preserve the financial integrity of the Company, accuracy of its data and efficiency of its operations from the various aspects. Further, the Company organizational structure considered the internal control principles for the double control process (Four Eyes Principles), represented in the sound identification of responsibilities and powers, complete segregation in duties and non conflict of interests, inspection and double control, and dual signature, by providing the financial and administrative authorities structure, policies and procedures for the Company's operations, in addition to the information technology systems prepared and designed pursuant to the principle of segregation in duties across the various departments and concerned functions.
  - The Company contracted with an independent office (Russell Bedford) to evaluate and review the internal control systems and prepare a report in this respect (Internal Control Report), whereby the office will prepare the annual report on the operations of year 2016, which will be submitted to the Capital Markets Authority within 90 days after the end of the fiscal year.
  - Further, the board of directors has decided to contract with another auditing office to review and evaluate the performance of the Internal Audit Unit on periodical basis every three years. This report shall be submitted to the Audit Committee and the board of directors.
- Internal Audit Unit:
    - The Company contracted with an independent external office for the management of internal audit operations (PwC Al Shatti & Co.), which is an office enjoying full independence with extensive technical experience in the internal auditing field. The Company organizational structure (approved by

the board of directors) comprises an internal audit unit of the Audit Committee, and therefore the board of directors. The Audit Office mandated with preparing the internal audit reports on all the operations of the Company's sectors and departments, including the remarks, resulting effects, recommendations, in addition to the replies of the departments and specified action plans in order to take the required measures according to the submitted recommendations and submit these reports to the Audit Committee.

## **Sixth Rule**

### **Promoting Professional Conduct and Ethical Values**

- **Professional conduct and ethical values criteria and determinants:**

Establishing the professional conduct and ethical values culture within the Company reinforces the investor's confidence in the integrity of the Company and soundness of its financial statements. The board of directors and executive management, as well as all the Company personnel, complied with the internal policies, regulations, legal and regulatory requirements, leading to the fulfilment of the interests of all parties related to the Company, particularly shareholders, without conflict of interests, and with high level of transparency. The Company governance framework approved by the board of directors comprises a number of determinants and criteria addressing the establishment of the principle of the compliance of each of the board of directors and executive management's members with all the laws and instructions, represent all shareholders and compliance with achieving the interest of the Company, the interest of shareholders and interest of other stakeholders and not only the interest of a specific group. Further, it comprises the board of directors or executive management member's non use of the job influence of the position in order to fulfil a personal interest or any personal goals for him or others, as well as avoiding the use of the Company resources and assets to achieve personal interests, use such assets and resources in the optimum manner to fulfil the objectives of the Company. Further, the Company has laid down a tight system and a clear mechanism preventing the board members and personnel from exploiting the information they accessed by virtue of their position for their personal benefit, in addition to prohibiting the disclosure of information and data of the Company except in the cases permitted by the law, as well as confirming the laying down of procedures regulating operations with the related parties and that there should be a clear segregation between the Company's interest sand those associated with the board of directors member through the board's laying down of mechanisms for having the Company interests dominate over the interests of its members. Further,

the board member shall comply with disclosure to the board if he has any common interests with the Company, whether directly or indirectly. The board member is also profited from participating in the discussion or expressing the opinion or vote on any topics presented to the board in which he has a direct or indirect common interest with the Company. Furthermore, the Company personnel may internally report their doubts on any improper practices or matters raising suspicions in the financial reports, internal control systems or any other matters. The Company permits undertaking an independent and fair investigation of any matter presented to it, and guarantee to offer the informer in good faith the confidentiality which ensures his protection against any negative reaction or damage which he may sustain as a result of his reporting of such practices.

- Policies and mechanisms for controlling cases of conflict of interests

The Company board has laid down the mechanisms and policies in connection with controlling the cases of conflict of interests, methods of addressing and handling them, as part of the corporate governance framework, taking into consideration the content of the Companies Law.

The policies have indicated that member of the board may notify the board of his personal interest in the businesses and contracts concluded for the Company's account, and that such reporting is confirmed in the minutes of the meeting. The member holding the interest may not participate in voting on the decision passed in this respect.

Furthermore, the chairman shall notify the general assembly upon convening of the businesses and contracts in which one of the board members has a personal interest. This notification shall be enclosed with a report from the auditor.



## **Seventh Rule**

### **Accurate Disclosure and Transparency in the Right Time**

- Mechanisms of accurate and transparent presentation and disclosure which outline the aspects, fields and features of disclosure

Accurate disclosure is one of the fundamental features and methods for follow up of the Company activities and evaluate its performance, as it contributes in informing the shareholders and investors of the Company structures and activities, as well as the applicable policies by the Company, in addition to evaluating the Company's performance in connection with the ethical criteria. Through the corporate governance framework, the Company board laid down the mechanisms for accurate and transparent presentation and disclosure which outline the aspects, fields and features of disclosure, whether in connection with the topics or elements which should be disclosed. The disclosure method comprise the financial and non financial information and data related to the Company financial position, performance and equity, through disclosure to Kuwait Stock Exchange, the Capital Markets Authority, Dubai Financial Market and the Securities and Commodities Authority (Dubai), in a manner assisting stakeholders to view the Company status in an integrated manner. Further, the Company discloses with complete transparency and accuracy all the information and data in the right time for all the parties and stakeholders without discrimination, as per the disclosure forms approved by the Capital Markets Authority.

The board is keen to review all the Company applicable disclosure and transparency systems and mechanisms periodically, and ensure that they are in line with the best leadership practices applicable in this respect, in addition to being consisting with those applicable by the Capital Markets Authority. Further, the Company has prepared the compliance statement which comprises the identification of the information which should be disclosed, their classification mechanism in terms of their nature or in terms of the periodicity of disclosing

them, as per the disclosure and transparency mechanisms and systems of the Company.

- Board of directors and executive management members' disclosures:

The Company has a register for the disclosures of the board of directors and executive management members, whereby it includes the disclosures of the percentages of equities and trading on the Company's shares in addition to the declarations and undertakings submitted in their capacities as informed persons, which are updated according to the provisions of the executive regulation of the Capital Markets Authority Law. This register is accessible by all the Company shareholders. All the Company shareholders are entitled to access the same without any fee or consideration. Further, the Company updates the details of this register periodically which reflects the reality of the positions of the related parties.

- Investors Affairs Regulation Unit

The Company has an Investors Affairs Regulation Unit, which is responsible for providing and making available the required financial data and information and reports to the potential investors. The Investors Affairs Unit enjoys the appropriate independence in a manner permitting it to provide the reports, data and information in the right time and accurately, by directly contacting the Unit through the Company website and the website of Kuwait Stock Exchange.

- Development of the information technology infrastructure and reliance on it extensively for disclosure processes

The Company development the infrastructure of the information technology it uses and relies upon for all its operations, whereby it uses several programs in its various departments, including for example Microsoft Ax Dynamics in the

Finance Department, Menaitech in the Human Resources and Administrative Affairs Department, Teamwork program in all the Company departments, Sharepoint program in the Documents Control Department, CRM program in the Real Estate Department, Primavera in the Projects Department, Boardvantage program in connection with the board of directors meetings, Office 365 program, in addition to other programs for the use by the Information Technology Department.

Further, the Company has a dynamic and effective website which comprises all the information, data and disclosures in connection with the Company's businesses and the latest developments, in addition to a special section on corporate governance as the Company maintains and updates the website periodically.

## **Eighth Rule**

### **Observing Shareholders' Rights**

- Protection of the general rights of shareholders to ensure justice and equality among all shareholders

The implementation of the governance rules achieves balance between the Company's objectives and the objectives of its shareholders, protects the rights of shareholders and establishes justice and equality among them. The Company treats all shareholders equally without any discrimination. Under no condition the Company conceals any information or any of the shareholders' rights. In this respect, the Company complies with all the provisions of the law and executive regulation, as well as the instructions and regulatory conditions. Further, the Company's articles of association and the corporate governance framework approved by the board of directors, its internal regulations, procedures and controls required to ensure that all the shareholders exercise their rights to achieve justice and equality, in a manner which does not contradict with the applicable laws and regulations, decrees and instructions issued in this respect. Among the general rights of shareholders guaranteed by the Company are the following:

- Register the value of the shareholders' equity in the Company's records.
- The shareholders' right to transact with the shares including the registration of ownership, its transfer and/or assignment.
- The right of shareholders to obtain the determined share in the profits distributions.
- The right of shareholders to obtain a share of the Company assets in the event of liquidation.
- The right of shareholders to obtain the data and information concerned with the Company activity, operational and investment strategy in a regular and convenient manner.

- The right of shareholders to access the shareholders' register.
  - The right of shareholders to participate in the meetings of the general assembly of shareholders and voting on its decrees.
  - The right of shareholders to elect members of the board of directors.
  - The right of shareholders to control the Company's performance generally and the board of directors' operations in particular.
  - The right of shareholders to call into account members of the Company board of directors or executive management, in the event they fail to perform the tasks entrusted to them.
- Taking into consideration precision and continuous follow up of the shareholders' data
    - For the purpose of continuous follow up of all matters related to the shareholders' details, the Company keeps a register kept with the clearing agency, in which the names of shareholders, their nationalities, domicile and the number of shares owned by each one of them are recorded. The shareholders' register is marked with any changes on the details recorded therein according to the details received by the Company or clearing agency. Every concerned party may request the Company or clearing agency to furnish it with details from this register.
    - The details set forth in the Company shareholders' register are dealt with the maximum degrees of protection and confidentiality, in a manner which does not contradict with the law and executive regulation and the instructions and regulatory controls issued by the Authority.

- Encourage shareholders to participate and vote in the Company general assembly meetings.

The Company regulates a mechanism of participation in the shareholders general assembly meetings,, whereby it takes the following into consideration upon organizing the general meetings of shareholders:

- Address the invitation to shareholders to attend the general assembly meeting, comprising the agenda, time, and venue of organizing the meeting, through announcement according to the mechanism outlined in the executive regulation of the Companies Law.
- The Company illustrates and indicates to shareholders that the shareholder is entitled to authorize another person to attend the general assembly meeting according to a particular power of attorney or authorization prepared by the clearing agency for this purpose.
- The Company permits shareholders before convening the general assembly meeting by a sufficient time to obtain all the information and details relevant to the agenda items to enable shareholders to take their decisions properly.
- The Company permits the shareholders to effectively participate in the general assembly meetings and discuss the topics listed on the agenda with the associated inquiries related to the aspects of the various activities and address questions in connection with them to members of the board of directors and external auditor. The board of directors or external auditor shall answer the questions by the extent which does not expose the Company interests to damage.
- To enable shareholders holding five percent of the Company capital to add items on the agenda of the general assembly meetings.

- The Company provides the opportunity to all shareholders to exercise the right of voting without placing any hurdles leading to the prohibition of voting, as voting is a genuine right of the shareholder and may not be canceled by any means. The Company guarantees the exercise by all shareholders of this right through the following:
  - Shareholders enjoy the rights of voting granted to them, and with the same treatment by the Company.
  - The shareholders are able to vote personally or by proxy, and giving the same rights and duties to shareholders whether personally or by proxy.
  - Inform the shareholders of all the rules controlling the voting procedures.
  - Provide all the information concerned with voting rights to each of the current shareholders and potential investors.
  - All shareholders are permitted the right of voting on any changes relevant to the shareholders' rights by violation to the meeting of the general assembly of shareholders.
  - Voting to select members of the board of directors takes place in the general assembly through the mechanisms stipulated by the Company memorandum and articles of association under the framework stipulated under the Companies Law and its executive regulation, in addition to the Company 's provision of a profile on the candidates to members of the board of directors before voting, which provides to shareholders a clear idea on the professional and technical skills of the candidates, their experiences and other qualifications.
  - All categories of shareholders are provided with the opportunity to call into account the board of directors for the tasks entrusted to them.

- Not impose any fees for the attendance of any category of shareholders of the general assembly meeting or offer any preferential advantage to any category over the other categories of shareholders.



## **Ninth Rule**

### **Recognizing the Role of Stakeholders**

- Systems and policies guaranteeing the protection of stakeholders' rights

The Company observes and protects the rights of stakeholders in all its dealings, internal and external transactions. Thus, the Company laid down under the framework of the corporate governance framework policies which include the rules and procedures guaranteeing protection and recognition of the stakeholders' rights, and permit them to obtain compensations if any of their rights are abused, as established by the laws passed in this respect.

The policy approved by the Company in this respect includes the following:

- Dealing with members of the board of directors and stakeholders is carried out according to the same conditions applied by the Company with the various parties of stakeholders without discrimination or preferential conditions.
- The unity and ease of the procedures followed in the event of any default on any parties of its obligations. There is no discrimination between one contract and the other between the stakeholders and the Company.
- Compensate stakeholders if their rights determined by the regulations and protected by the contracts are abused.
- Maintain good relations with the clients and suppliers and preserve the confidentiality of information.
- The mechanism of settlement of any complaints or disagreements which may arise between the Company and stakeholders.

- Encourage stakeholders to participate in following up the Company's various activities

For avoiding the conflict of the transactions of stakeholders, whether contracts or transactions with the Company, with the interest of shareholders, it should be taken into consideration that none of the stakeholders receive any advantage through dealing in contracts and transactions which fall within the Company's normal activities. Further, the Company lays down internal policies and regulations which comprise a clear mechanism for awarding contracts and transactions of various types, through the various tenders or purchase orders.

The Company has also laid mechanisms and frameworks to ensure maximum benefit from the contributions of stakeholders in the Company and urge them to participate in following up its activity, in line with fulfilling its interests in a perfect manner. The Company permits stakeholders the ability to obtain all the information and data relevant to their activities, whereby they may be relied upon in the right time and on regular basis. The Company has also facilitated to stakeholders informing the Company board of directors of any improper practices to which they may be exposed by the Company, and provide the suitable protection to the reporting parties.

## **Tenth Rule**

### **Promoting and Enhancing Performance**

- Training courses and programs of members of the board of directors and executive management

Continuous training and qualification of members of the board of directors and the executive management is among the cornerstones of the rules of corporate governance, as it largely contributes in promoting the Company's performance, through the board of directors and executive management's exercise of the duties and responsibilities entrusted to them in a perfect manner.

- The Company laid down a clear policy under the framework of corporate governance to permit members of the board of directors and the executive management to obtain internal and external training programs and course on continuous basis. For promoting and enhancing performance, it presented an orientation report to the newly appointed members in order to guarantee that they have a suitable understanding of the Company's progress of work and operations. This statement included the Company's strategy and objectives, in addition to the financial and operational aspects of all the Company's activities. Further, the Company has submitted an orientation report on the legal and regulatory obligations shouldered to the members of the board of directors and the Company, a statement of the responsibilities and tasks entrusted to them, in addition to the authorities and rights available to them and a clarification of the role of the committees emanating from the board of directors.

The Company has also provided to members of the board of directors and the executive management training programs related to the Company's operations and the role of members of the board of directors and the executive management in order to develop their skills and experiences and

keep in line with the developments in a manner which assists them to perform the tasks entrusted to them. Such training courses included the following for example:

- Finance for Non-Finance Executives.
  - Managing for Success
  - Master Class in KPIs
  - HR Strategy
  - Shift your Leadership Brilliance
  - Decision Making Strategies Under Risk and Uncertainty
- 
- Performance evaluation of members of the board of directors and executive management:

The Company laid down systems and mechanism for performance evaluation of members of the board of directors and the executive management on periodical basis, through a number of key performance indicators (KPIs), connected with the extent of achieving the strategic objectives of the Company, the quality of risk management, and sufficiency of the internal control systems. Such procedures are written clearly and characterized by transparency and disclosed to all personnel., whereby it laid down the key performance indicators (KPIs) for the evaluation of the board of directors as a whole, the contribution of each member of the board of directors and each of its committees, as well as the key performance indicators (KPIs) to evaluate the executive management and all the Company personnel, on periodical (semi annual and annual) basis, in order to indicate and determine the weaknesses and strengths and propose addressing them in a manner conforming with the interest of the Company.

- Institutional value creation among the Company personnel

The board of directors creates values in the Company on the short, medium and long term, by laying down and providing the mechanisms and procedures to achieve the Company strategic objectives, as well as enhance the performance rates to efficiently contribute in creating the institutional values among personnel and motivate them to work continuously in order to preserve the financial integrity of the Company.

## **Eleventh Rule**

### **Focusing on the significance of social responsibility**

- Establish equilibrium between the objectives of the Company, objectives of the community, and the programs and mechanisms used in the social work field

The corporate governance framework stipulates the continuous obligation of the Company to act ethically according to the requirements of the laws and general customs, and sustainable contribution by the Company to achieve social and economic development by attracting national manpower and enhance the quality of living conditions for the workers and their families in the local community and the society as a whole. The Company was keen to increase the percentage of employment of national staff. The Company has also contributed in the conservation of the environment against environmental damages and pollution by adopting the recycling of wastes in the Company premises and towers by collecting wastes of the same type in preparation for recycling them. Further, the Company participates periodically in raising cultural and economic awareness in the society by issuing a periodical economic report. The board of directors has adopted the execution of the social responsibility initiative and laid down a full plan for the social responsibility activities. The executive management launched a social responsibility initiative to encourage youth to put forth their ideas and develop their skills. The Company board of directors has obtained approval of the general assembly to allocate a percentage of the realized profits for the purpose of directing it for the social services and projects. The Company is keen to raise the awareness of its personnel of the social responsibility objectives carried out by the Company, which contributes in raising the Company performance standard and observing all the applicable laws and regulations, as well as comply with them.

