

Corporate Governance Report For 2019

Speech of the Chairman

Ladies and gentlemen, shareholders of Kuwait & Middle Financial Investment Company KSCP (KMEFIC).

On behalf of myself, the Board of Directors and my colleagues in the Company, I am pleased to submit the Corporate Governance report of Kuwait & Middle Financial Investment Company KSCP for the year 2018 to the esteemed shareholders.

Corporate Governance rules are represented in the principles, systems and procedures that encompass the best protection and balance between the interests of Company's management and its shareholders as well as other stakeholders associated with the Company. The main objective behind application of the Corporate Governance rules is to guarantee that the Company keep pace with the objectives of the shareholders through ensuring that the Executive Management of the Company is doing its responsibilities in the best way and in a manner that reinforces trust of the investors of the Company's efficient performance and its ability to face crises and reinforces the competition to achieve high growth rates. Hence, the rules of Corporate Governance regulate the methodology of adopting all resolutions inside the Company to enhance transparency and credibility such resolutions.

One of the most important rules of Corporate Governance, which is adopted by the Company to achieve better performance and to create a balanced environment of compliance, independence and transparency, is constructing balanced structure of the Board of Directors, sound assignment of duties and responsibilities, selecting efficient persons, guaranteeing the integrity of financial reports, setting sound system for Risk Management and Internal Control, reinforcing professional conduct and moral values, disclosure and transparency, protecting shareholders' rights, recognizing the roles of stakeholders, enhancing and improving performance and focusing on the importance of social responsibility. This is to achieve the Company's objectives, to protect the interest of the stakeholders and to segregate the authorities exercised by the Executive Management that manages Company's business and the authorities of the Board of Directors that prepares and reviews plans and policies of the Company in a manner that ensures fairness in dealing, transparent and enhances trust in dealing with all parties. Further, it enables shareholders and stakeholders to effectively control the Company through implementation and activation of the Business Relations' role and effective application of the transparency principle.

In line with the positive steps taken by the Capital Markets Authority through issuance of several bylaws, regulations and regulatory resolutions aiming at improving business environment, disclosure and protecting shareholders; and stressing on our interest to apply all the leading laws, regulations and practices that align with our principles and professional basis which would lead our business to realize the interests of our dear shareholders, we are always keen to focus our efforts through employing integrated work team to comply with and apply of all the laws and resolutions in a professional and timely manner.



First Rule: Constructing Balanced Structure of the Board of Directors

Board of Directors Structure

Overview of the Formation of Board of Directors

The Board of Directors is responsible for effective management of the Company and it is legally obliged to realize the interest of both the Company and the shareholders on the best way. Further, it represents the balance that endeavor to attain the objectives of shareholder and to follow up Company's Executive Management. In this regard, the Board of Directors are endeavoring to realize the strategic objectives of the Company via ensuring that the Executive Management is performing the duties entrusted to them satisfactorily. Whereas the resolutions of the Board of Directors greatly affect the performance of the Company and soundness of its financial position, the Company has paid attention to form an independent, balanced and qualified Board of Directors of various experiences, so that it shall have positive impact on the Company and its performance and it shall reinforce its financial position and market share. Therefore, the Company was keen to ensure that the majority of the Board Members are non-executive members, elected members and including two independent directors. Therefore, the Company was keen to ensure that the majority of the Board Members are non-executive members and elected including two independent members. The Company has also paid attention to ensure that the Board of Directors must include members of diverse experiences in the field of Company's business and in the accounting, financial and banking fields to add skills and experiences that are required by the Company upon discussing the subjects presented to the Board of Directors. The Board of Directors has business charter that includes all details related to the rules and responsibilities of the Board, its meetings, special committees, the responsibilities of the Chairman, Vice Chairman, Chief Executive Officer, and Directors in addition to the Secretary and the Executive Management. The Company's Board of Directors consists of (7) members, namely:

Previous Board ended in 2019

Mr. Hesham Zaghloul

Chairman

He was a member of KMEFIC's Nominations and Remunerations Committee and chairman of the Executive Committee of the Board.

Mr. Basil Abdulwahab Al-Zeid

Vice Chairman (Independent Member)

He was also a member of KMEFIC's Audit Committee and the Nominations and Remunerations Committee of the Board.

Mr. Adel Fahed Al-Humaidhi

Director and Chief Executive Officer

He was also a member of the Board Executive Committee.



Mr. Wafa Al-Shihabi

Independent Director

He was also the Chairman of Board Risk Committee of KMEFIC.

Mr. Rajeev Gogia

Director (Non-executive)

He was also a member of the Board Audit and Compliance Committee and Board Risk Committee.

Mr. Michael Gerald Essex

Director (Non-Executive)

He was also the Chairman of KMEFIC's Audit and Compliance Committee and Chairman of Nominations and Remunerations Committee.

Mr. Prakash Mohan

Director (Non-Executive)

He was also a member of the Board Executive Committee and Risk Committee.

The New Board members (2019-2022)

Mr. Hamad Al-Thekair

Chairman (Non-Executive)

A member of KMEFIC's Nominations and Remunerations Committee

Mr. Ahmad Al-Bahar

Vice Chairman (Non-Executive)

A member of KMEFIC's Audit Committee and Chairman of Risk Committee and member of Nominations and Remunerations Committee

Ms. Altaf Al-Thekair

Member (Non-Executive)

A member of KMEFIC's Audit Committee and member of Risk Committee

Mr. Malek Al-Ajeel

Independent Director

Chairman of KMEFIC's Audit Committee and member of Nominations and Remunerations Committee.

Mr. Asser AbouHeba

Member (Non-Executive)

A member of KMEFIC's Audit Committee

Hereunder are the statements indicating the classification, qualification and experiences of the previous and current Directors:

Name	Director's classification (executive/non-executive/independent), secretary	Qualifications and practical experience	Election date/appointment as secretary
Hesham Zaghloul Mohammed	Current Chairman - Non-Executive	Bachelor Degree in Economics	4 August 2016 - (resigned on 18.9.2019)
Basil Abdulwahab Al-Zeid	Vice Chairman- Independent Member	Master degree in Business Administration and International Relations	August 2016 4 - (resigned on 18.9.2019)
Adel Fahed Al-Humaidhi	Director & Chief Executive Officer	Bachelor Degree in Business Administration	4 August 2016 (His membership expired on 23.12. 2019)
Michael Gerald Essex	Director- Non-Executive	Master Degree in General Administration	4 August 2016 - (resigned on 18.9.2019)
Rajeev Gogia	Director- Non-Executive	Chartered Accountant from Institute of Chartered Accountant of India	4 August 2016 - (resigned on 18.9.2019)
Wafa Haidar Al-Shihabi	Director - Independent	Master Degree in Mechanical Engineering	4 August 2016 - (His membership expired on 23.12. 2019)
Prakash Mohan	Director- Non-Executive	Master of Business Administration- Finance and Marketing	Elected as a reserve board member in August 2016 and was appointed as KMEFIC's Director in 8.8. 2018
Christy Kulathooran	Secretary of the Board (resigned)	Master degree in Financial Administration	28 Sept 2016

Name	Director's classification (executive/non-executive/independent), secretary	Qualifications and practical experience	Election date/appointment as secretary
Mr. Hamad Al-Thekair	The Former Chairman – Non-Executive	Bachelor Degree in Science Aerospace Engineering	24 December 2019
Ms. Altaf Al-Thekair	Member – Non-Executive	Bachelor Degree in Science Business Administration	24 December 2019
Mr. Malek Al-Ajeel	Independent Member	Bachelor Degree in Civil Engineering	24 December 2019
Mr. Ahmad Al-Bahar	Vice Chairman – Non Executive	Bachelor Degree in Accounting and Auditing	24 December 2019
Mr. Asser AbouHeba	Director- Non-Executive	Bachelor Degree in Computer Engineering	24 December 2019
Mrs. Kifaya Al Ramahi	Secretary of the Board		24 December 2019

Meetings of Company's Board of Directors

In accordance with Company's Articles of Association, the meetings of the Board of Directors must not be less than six meetings annually to be held as per an invitation from the Chairman. It must not be less than one meeting on quarterly basis or pursuant to written application from two directors. A notice of the meeting shall be served to all directors along with the agenda at least 3 working days prior to the meeting accompanied with necessary documents that enable them to peruse all issues that will be discussed and decided. In 2019, Company's Board of Directors convened (6) meetings and following is the table indicating attendance of the directors in the board meetings:

Board of Directors' Meetings during 2019:

Director's Name	Meeting no.1 held on 19/02/2019	Meeting no.2 held on 21/05/2019	Meeting no.3 held on 8/8/2019	Meeting no.4 held on 6/11/2019	Meeting no.5 held on 15/12/2019	Meeting no.6 held on 24/10/2019	Number of Meetings
Hesham Zaghloul (Chairman)	✓	✓	✓	✓	✓	resigned	5
Basil Al-Zeid Vice Chairman-) Independent)	✓	✓	✓	✓	✓	resigned	5
Adel Al-Humaidhi (Director and CEO)	✓	✓	✓	✓	✓		5
Rajeev Gogia (Director)	✓	✗	✓	✓	✓	resigned	5
Wafa Al-Shihabi (Independent)	✓	✓	✓	✓	✓		5
Michael Essex (Director)	✓	✓	✓	✓	✓	resigned	5
Prakash Mohan (Director)	---	✓	✓	✓	✓	resigned	5
Mr. Hamad Al-Thekair	---	---	---	---	---	✓	1
Ms. Altaf Al-Thekair	---	---	---	---	---	✓	1
Mr. Malek Al-Ajeel	---	---	---	---	---	✓	1
Mr. Ahmad Al-Bahar	---	---	---	---	---	✓	1
Mr. Asser AbouHeba	---	---	---	---	---	✓	1

Secretary of the Board of Directors

The Board of Directors has appointed Mr. Christy Kulathooran as Secretary of the Board. He has been appointed a secretary of the Board of Directors during the meeting of the board dated 26 May 2013 and re-appointed on 28 September 2016 by the previous Board.

Upon the completion of the period of the Board of Directors and the election of the new Board of Directors members on December 23, 2019, the Board appointed Mrs. Kifaya Mohammed Al-Ramahi as Secretary of the Board on December 24, 2019.

A summary of How to Apply the Requirements of Registration and Coordination and Save the Minutes of Meetings of the Board of Directors of the Company.

The Secretary shall assist the members of the Board fully and continuously to ensure that they receive any information required in accordance with the decision of the Board of Directors or in consultation with the Chairman of the Board, and shall assist the Chairman of the Board in all matters related to preparing the agenda of Board meetings and issuing invitations to Board members.

The Secretary shall record all the Board's minutes of meetings in consecutive numbers throughout the year during which the meetings were held, along with indicating the place, date, hours and start and end of the meeting. Furthermore, he shall record all decisions and discussions of members of the Board of Directors, record the results of voting made during the meetings and sign the minutes of meetings from all the present board members. The minutes of meeting shall be classified and recorded in a special record for easy reference. Each board member shall be provided with a copy of the minutes of meeting after authenticating it along with preservation of related documents, decisions and correspondences of the Board and holding the register of meetings of the Board.

Second Rule : Sound Assignment of Duties and Responsibilities

Duties and Responsibilities of the Board of Directors

The Board of Directors has adopted the regulations of the Board that include the duties and responsibilities of the Board, including but not limited to:

- Approving the strategic objectives and key business plans and policies of the Company.
- Approving annual budgets and interim and annual financial statements.
- Supervising capital expenditures of the Company and acquisition and disposal of assets.
- Ensuring that the company is observing the policies and procedures in compliance with the internal bylaws and regulations adopted.
- Ensuring accuracy and validity of the statements and information to be disclosed in accordance with applicable disclosure and transparency policies and procedures.

Furthermore, the Board has also prepared and approved job descriptions, which clearly define the functions and responsibilities of each Board member. The Board adopted the authority matrix, which clarifies the powers of the Board of Directors, the Executive Management and the Committees.

Achievement of the Board of Director during the year:

"Achievements that attain aspirations of our customers and shareholders"

- Based on the Board's responsibilities to achieve the best financial and operational results and achieve the strategic plan of the company to the fullest, the Board, during the current year, managed to achieve many goals, including but not limited to:

1. Setting the key and financial objectives, strategies, plans and policies of the Company.
2. Monitoring the implementation of the annual strategies, business plans and the budget and verify the shortcomings, if any, which enabled the Board of Directors to achieve the cost reduction as detailed in the message of the Chairman.

3. Following up with the Executive Management to ensure the effectiveness of the internal control systems that protect the Company's assets, ensure the integrity and accuracy of financial statements, Company records, and comply with relevant rules, regulations and instructions.
4. The Board of Directors has taken a number of measures to ensure compliance with corporate governance rules in accordance with the Executive Regulations of the Capital Markets Authority.
5. Setting the Key Performance Indicators (KPIs) for both the Board Members and the Executive Management
6. Ensuring delivery of the best services based on the best performance.

Committees of the Board of Directors

“Effective committees assisting the Board of Directors and protecting the rights of the stakeholders”

- The Board of Directors formed committees affiliated to the Board, taking into consideration the instructions and rules of governance issued by the Capital Markets Authority upon formation of the Board Committees. The Committees at the Board level include the Executive Committee, Risk Committee, Auditing and Compliance Committee and Nominations and Remunerations Committee. The details of the committees are listed below:

1- Name of Committee : Audit and Compliance Committee

The committee was established in 2011.

The Committee:	Date of the last Formation:	Term of the Committee:	Number of Members:
Audit and Compliance Committee	22/8/2016	Ended on 23.12.2019	3
Members of Committee	Name	Role	Classification
	Mr. Michael Essex	Chairman	Non-Executive
	Mr. Rajeev Gogia	Member	Non-Executive
	Mr. Basil Al Zaid	Member	Vice Chairman-Independent
The Committee: Audit	Date of Current Formation	Terms of the Committee:	Number of Members:
	24.12.2019	Indefinite	3
Members of Committee	Name	Role	Classification

	Mr. Malek Al-Ajeel	Chairman	Non-Executive Independent
	Mr. Ahmad Al-Bahar	Member	Vice Chairman- Non-Executive
	Ms. Altaf Al-Thekair	Member	Non-Executive
The committee undertakes several duties including	<ul style="list-style-type: none"> • Revision of the periodical financial statements before being presented to the Board of Directors and giving opinion and recommendations concerning the same to the Board of Directors in order to guarantee validity and transparency of the financial statements and reports. • Studying the accounting issues and understand its impact on the financial statements. • Evaluating the efficiency and adequacy of the internal control systems adopted in the Company and preparing a report including the opinion and recommendations of the committee in this regard. • Reviewing the findings of the internal audit report and the report issued by the Compliance Department as well those issued by the regulatory bodies. • Following up the external auditor's works and presentation of the financial statements. 		

Meetings of the Committee

During 2019, the Auditing and Compliance Committee convened (7) meetings as follows:

Meeting no. 1 dated 19/02/2019	Meeting no. 2 dated 07/03/2019	Meeting no. 3 dated 25/04/2019	Meeting no. 4 dated 29/05/2019	Meeting no. 5 dated 07/08/2019
Meeting no. 6 dated 25/09/2019	Meeting no. 7 dated 04/11/2019			



Attendance during the meetings was as follows:

First Meeting			Second Meeting			Third Meeting			Fourth Meeting		
Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fifth Meeting			Sixth Meeting			Seventh Meeting					
Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil			
✓	✓	✓	✓	X	✓	✓	✓	X			

The Committee's achievements include:

1. Adopting a number of reports and internal control procedures to monitor Company's activities.
2. Limit the issues or factors that may represent any risks to the Company.
3. Develop mechanisms to ensure the rapid closure of any observations or issues produced by internal and external audit reports.
4. Follow compliance reports and ensure that the Company complies with all laws.
5. To conduct risk based audits as per the standards set by Institute of Internal Auditors (IIA).
6. Review and recommend the Company's internal audit policies and procedures.
7. Closed all open high-risk audit findings and comments and fixed all internal control weaknesses across the Company.



2- Name of Committee : Board Nominations and Remunerations Committee

The Committee:	Date of the last Formation:	Term of the Committee:	Number of Members
Nominations and Remunerations Committee	22/8/2016	Ended on 23.12.2019	3
Members of Committee	Name	Role	Classification
	Mr. Michael Essex	Chairman	Non-Executive
	Mr. Basil Al Zaid	Member	Vice Chairman- Independent
	Mr. Hesham Zaghloul	Member	Chairman

The Committee:	Date of current Formation:	Term of the Committee:	Number of Members
Nominations and Remunerations Committee	24.12.2019	Indefinite	3
Members of Committee	Name	Role	Classification
	Mr. Hamad Al-Thekair	Chairman	
	Mr. Ahmad Al-Bahar	Member	Vice Chairman- Non-Executive
	Mr. Malek Al-Ajeel	Member	Non-Executive Independent

The committee undertakes several duties including

- Recommendation of accepting nominations and re-nomination of the Directors and members of the Executive Management.
- Setting clear policy of the remuneration of the directors and members of the Executive Management.
- Determining the required needs of appropriate skills for directorship and the Executive Management as well as reviewing such needs on annual basis.
- Annual review of the performance of Board of Directors and the Executive Management.

Meetings of the Committee	During 2019 the Nominations and Remunerations Committee convened (2) meeting as follows:					
	Meeting no. 1 dated 19.02.2019			Meeting no. 2 dated 04.03.2019		
Achievements of the Committee:	Attendance during the meeting was as follows:					
	First Meeting			Second Meeting		
	Director	Director	Chairman	Director	Director	Chairman
	✓	✓	✓	✓	✓	✓

The Committee's achievements include:

- Approval of the remunerations and bonuses on the employees' salary, Bonus plan, hierarchy policy, and employees related bylaws as well as the Key Performance Indicators of the employees and Directors.

3- Name of Committee : Board Executive Committee

The committee was established in 1994.

The Committee:	Date of the last Formation:	Term of the Committee:	Number of Members
Executive Committee	24/9/2018	Ended on 23.12.2019	3
Members of Committee	Name	Role	Classification
	Mr. Hesham Zaghoul	Chairman	Non-Executive
	Mr. Adel Al Humaidhi	Member	CEO
	Prakash Mohan	Member	Non-Executive

The Committee:	Date of Cancelation:	Term of the Committee:	
Executive Committee	24/9/2019	Ended	
The committee undertakes several duties including:	<ul style="list-style-type: none"> Reviewing and approving the policies and resolutions related to business procedures in the company submitted by different executive divisions. Discussing budget plan and follow up with Executive Management for achieving the objectives as per the plan by reviewing the company's performance. Recommending appointment of experts and consultant to conduct studies. Discussing investment proposals and approving or rejecting it. Presenting recommendations to the Board of Directors concerning strategies and the social responsibility of the Company. 		
Meetings of the Committee	During 2019, the Committee convened (0) meetings.		

4- Name of Committee: Board Risk Management Committee

The committee was established in 2001.

The Committee:	Date of the last Formation:	Term of the Committee:	Number of Members
Risk Management Committee	24.9.2018	Ended on 23.12.2019	3
Members of Committee	Name	Role	Classification
	Mr. Wafaa Al Shihabi	Chairman	Independent
	Mr. Prakash Mohan	Member	Non-Executive
	Mr. Rajeev Gogia	Member	Non-Executive

The Committee:	Date of current Formation:	Term of the Committee:	Number of Members
Risk Management Committee	24.12.2019	Indefinite	3
Members of Committee	Mr. Mr. Ahmad Al-Bahar	Chairman	Vice Chairman - Non -Executive
	Ms. Altaf Al-Thekair	Member	Non-Executive
	Mr. Asser AbouHeba	Member	Non-Executive

The Committee:	Date of current Formation:	Term of the Committee:	Number of Members
The committee undertakes several duties including:	<ul style="list-style-type: none"> Preparing and reviewing risk management and risk strategies and policies before they are approved by the Board of Directors, ensure that these strategies and policies are implemented and that they are commensurate with the nature and size of the Company's activities. Ensure availability of the adequate resources and systems for risk management. Review the risk management periodical reports. Ensure that risk management personnel have a full understanding of the risks surrounding the Company and work to increase employees' and awareness of risk and risk culture. 		

Meetings of the Committee	During 2019, the Risk Management Committee convened (4) meetings as follows:											
	Meeting no. 1 dated 17.03.2019			Meeting no. 2 dated 30.06.2019			Meeting no. 3 dated 29.09.2019			Meeting no. 4 dated 07.10.2019		
	Attendance during the meetings was as follows:											
	First Meeting			Second Meeting			Third Meeting			Fourth Meeting		
	Wafaa	Prakash	Rajeev	Wafaa	Prakash	Rajeev	Wafaa	Prakash	Rajeev	Wafaa	Prakash	Rajeev
	✓	✓	X	✓	✓	X	✓	✓	X	✓	✓	✓

The Committee's achievements include:	<ol style="list-style-type: none"> Preparing and following up risk management strategies and policies and evaluate systems and mechanisms for identifying and measuring different types of risks. It also helped the Board identify and assess key risks to the Company and ensure that the Company manages the risks efficiently and effectively. Overseeing IT Risk including cyber attacks. Review risk management reports periodically. Identified Key Risk Indicators and established risk mitigation plan and the risk management register. Preparing IT security policy and Procedure and conduct IT security awareness training to all employees.
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A summary of how to apply the requirements that allow the Board Members to obtain accurate and timely information and data.

The Company's Board of Directors has adopted a procedures and policy guide to ensure that board members have access to information accurately, in a timely manner and in accordance with the relevant laws and regulations. The guide sets out the mechanism for requesting and presenting information to the Board of Directors and the procedures and obligations of members to maintain the confidentiality of information obtained by virtue of their work and location. The Secretary will provide board members with sufficient information on the items to be discussed at least three working days prior to the meeting (unless there is an emergency meeting that requires members to be invited within a shorter

period) to enable them to make appropriate decisions. It also records all the discussions of the members of the Board of Directors that take place during each meeting in dated and series minutes in a numbered special record, the statement of the members present and their vote on the decisions taken during the meeting, and works to ensure the proper receipt and distribution of reports related to the work of the Board and the agenda in a timely manner and to keep the record and minutes of the meeting. Members of the Board of Directors and committees have full and immediate access to the company's information, documents and records through the Secretary and executive management members in a timely manner, and the company's executive management provides the Board with all the required documents and information through an information structure that provides periodic reports for making decisions correctly and in a timely manner.

***Executive Management**

“One of the most essential elements that characterize us and guarantee our leadership in the market is the diversified expertise of the Executive Management members”

- The Company has a professional and qualified team of Executive Management members.

Mr. Adel Al Humaidhi

Chief Executive Officer

He is also the Chairman of Middle East Financial Brokerage Company.

Mr. Ahmed AL-Radaan

Executive Director - Business Development and Customer service Division

Mr. Tamer El Essawy

General Manager - Compliance and Anti- Money Laundering Division

He is also Board member of International Project Management Co. - Egypt.

Mr. Mohammed ElNabasi

General Manager - Legal Department

Mr. Ahmed Abdulwahab Al Fahad

Senior Director, Asset Management Group

Ahmad Kareem

Director - Financial Brokerage

Mr. Christy Kulathooran

General Manager - Finance & Administrative Affairs

Mr. Raj S Dhanasekharan

Head of Risk Management Division

- The company has job descriptions that define the functions and responsibilities of each job clearly, and the company has company approved policy of delegation of powers for all divisions within the company.
- Executive Management functions include, but are not limited to:
 - Implementation of all the internal policies, bylaws and regulations of the Company as approved by the Board of Directors.
 - Implementation of the strategy and annual plan as approved by the Board of Directors.
 - Preparation of the periodic reports (financial and non-financial) on the progress of the Company's activity in light of the Company's strategic plans and objectives and presenting them to the Board of Directors.
 - Managing daily business and activities.
 - Participate actively in building and developing a culture of ethical values within the Company.
 - Develop internal control and risk management systems, ensure the effectiveness and adequacy of such systems and ensure compliance with risk appetite adopted by the Board of Directors.
 - Setting the internal integrated reporting systems and developing it from time to time to be more comprehensive, with the aim of assisting the Board of Directors and the Executive Management to make decisions based on a systematic and sound mechanism and hence achieving the shareholders' interests.

Third Rule: Selecting efficient persons for Directorship and Executive Management

Nominations and Remunerations Committee

“The nomination mechanism at the Company ensures attracting and selecting competent candidates to join the Board of Directors, Executive Management and other functions and the awarding mechanism has been identified to help achieve the Company's strategy and develop its performance continuously.”

The Board of Directors formed the Nominations and Remunerations Committee (“BNRC”) in accordance with the rules of corporate governance as stipulated in Article 4.1 of the Corporate Governance Rulebook. The Committee is also formed from 3 members with an independent member. The Board of Directors adopted the BNRC's Charter which includes its duties and responsibilities. The BNRC is concerned with the following duties:

- Recommend nomination and re-nomination members of the Board and Executive Management.



- Develop a clear policy for the remuneration of members of the Board of Directors and Executive Management.
- Identify and annually review the required skills and requirements for Board membership and Executive Management.
- Attract, study and review applications from those wishing to hold executive positions or other functions, as needed.
- Defining the various segments of the bonuses to be awarded to employees, such as the fixed bonus, the performance bonus, the bonus in the form of shares and the end of service indemnity benefits.
- Develop functional descriptions for executive members, non-executive members and independent members
- Propose the nomination and re-nomination of Board Members for elections by the General Assembly and to ensure not curtailing the independence of independent Board Members.
- Determine mechanisms for evaluating the performance of the Board as a whole and the performance of each member of the Board and Executive Management.
- Determine and annually review of the indicators of measuring the performance of the Board.
- Review and propose training programs and workshops for members of the Board of Directors and Executive Management.
- Review the salary scale and function grades periodically.
- Supervise the nomination procedures for members during the General Assembly.
- Ensure that bonuses are awarded in accordance with the Company's approved reward policy.
- Prepare a detailed annual report on all the Remunerations granted to the members of the Board of Directors and the Executive Management, whether amounts, benefits or privileges, whatever their nature or name. Such report shall be presented to the General Assembly for approval.

*** Report of the bonus granted to Board Members and the Executive Management**

As the company is committed to the highest standards of transparency as stipulated by the leading practices and corporate governance rules, the Company has committed to prepare a detailed report on all bonuses awarded to the Board Members and the Executive Management. Below is a detailed statement of the Board Members and the Executive Management remunerations:



Board members' remuneration policy:

The Board of Directors has adopted the Company's Board members' remuneration policy, which aims to link the rewards awarded to the company's management and acceptable risk levels to attract the required competencies and ensure transparency, and the remuneration policy of the board members states:

- Total bonuses must not exceed 10% of the company's net profit after depreciation, reserves and shareholders' earnings of at least 5% of the company's capital or any higher percentage as stipulated in the company's statutes.
- An annual bonus of not more than 6,000 dinars may be distributed to the Chairman of the Board of Directors and to each member of the Board from the date of the company's founding until the profits are made that allow it to distribute the rewards as stipulated in the previous paragraph. A decision by the Company's General Assembly may exclude an independent board member from the above-mentioned remuneration limit.
- The Board of Directors is obliged to submit an annual report to the Company's General Assembly for approval, including a detailed statement on the amounts, benefits and benefits obtained by the Board of Directors and executive management, whatever their nature and status.
- Board members' bonuses must be approved by the General Assembly at its annual meeting on the recommendation of the Nominations and Remuneration Committee.
- The Board of Directors approves the remuneration of its committees on the recommendation of the Remuneration and Nominations Committee.

Detailed Statement of the Board Members' Remunerations

Position in Board	Rewards, salaries, incentives and other financial benefits (Through the parent company and its subsidiaries)	Total
Board of Directors		
Chairman	Variable rewards (annual bonus, committee bonus), fixed benefits (health insurance).	Nil
Vice Chairman	Variable rewards (annual bonus, committee bonus), fixed benefits (health insurance).	Nil
Board Member	Variable rewards (annual bonus, committee bonus), fixed benefits (health insurance).	Nil
Board Member	Variable rewards (annual bonus, committee bonus), fixed benefits (health insurance).	Nil
Board Member	Variable rewards (annual bonus, committee bonus), fixed benefits (health insurance).	Nil
Independent Board Member	Variable rewards (annual bonus).	Nil
Independent Board Member	Variable rewards (annual bonus).	Nil
Total		-

Executive Management Remuneration Policy:

The Company takes the necessary measures to ensure that there is an appropriate balance between fixed and variable rewards, in order to be able to adjust variable rewards in the event that financial performance is weak or negative, and the percentage of fixed and variable rewards is reviewed and determined annually by the Board of Directors on the recommendation of the Nominations and Remuneration Committee.

Statement of executive management rewards 2019:

Rewards, salaries, incentives and other financial benefits (Through the parent company and its subsidiaries)	Total rewards, salaries, incentives and other financial benefits (KD)
Fixed rewards and benefits (salary, health insurance, travel tickets, social insurance)	481,514
Variable rewards (annual bonus, end of service).	

Fourth Rule: Guarantee of the Integrity of Financial Reports**Financial reports and external auditor's report:**

Both of the Board of Directors and the Executive Management shall provide written undertaking of the validity and integrity of the already prepared financial reports.

* The Board of Directors constituted Audit and Compliance Committee ("BACC") in accordance with the provisions of Article 5-6 of Corporate Governance Rulebook. The formation, objectives, functions and responsibilities of the BACC have been herein above mentioned.

*** Financial reports and external auditor's report**

The Company publishes set of financial reports on periodical basis that includes:

- Interim financial statements
- Profit statements
- Annual reports

As for the external auditor, BACC endeavors to:

- Recommend to the Board of Directors to appoint, reappoint, or propose changing of the external auditor, propose its fees and review letter of appointment. Such external auditor shall meet all conditions as stipulated in the Capital Market Authority's resolution concerning auditors' registration system.
- Verify the independence of the external auditor on a regular basis before their appointment or reappointment, and to verify that the external auditor does not perform any additional

tasks that do not fall within the duties of the external auditor prior to his appointment and may affect his independence as stipulated by the auditing profession.

- * In the event of a conflict between the recommendations of the BACC and the decisions of the Board of Directors, a statement shall be included detailing and clarifying the recommendations and the reason(s) behind the decision of the Board of Directors not to comply with the same.

Fifth Rule: Develop Sound Systems for Risk Management and Internal Controls

Internal Controls and Risk Management:

Internal Controls and Risk Management

The Company has created Risk Management Department to protect the Company from the various types of potential risks and to identify the risk appetite and tolerance through developing a set of internal control systems that are adequate and appropriate for the Company's business and the nature of its activities.

The head of Risk Management enjoys independence as he/she reports directly to the Board Risk Committee.

- * The Board of Directors has formed the Board Risk Committee ("BRC") in accordance with rules provided under article 6-4 of Corporate Governance Rulebook. The BRC's duties, formation of names of the members and achievements have been herein above mentioned.

*** Brief summary indicating internal control systems**

- The Company develops effective systems, procedures and tools to manage risks and internal controls that cover all the Company's activities.
- The Company is continuously upgrading periodical reports system for all its departments due to their significant importance in the process of following up performance, control, and risk mitigation via applying dual control principle to ensure of the following.
 - Sound assignment of duties and responsibilities
 - Full Segregation of duties and to avoid conflict of interests.
- The Company has the Internal Audit Department. The Board of Director is keen to activate its role and support this department to achieve the highest level of internal control.
- The Company has also the Compliance Department that endeavors to ensure compliance with all laws and regulations. The department is considered as one of the most important internal control tools and it is working in parallel with Internal Audit Department and

Risk Department to ensure applying of the inspection procedures of dual control as well as applying the dual signature. The Board of Directors is keen to activate its role continuously and effectively.

- The company conducts a review of internal control systems (ICR) through an independent audit office certified and issues an annual report to do so and a copy is provided to the CMA.

* **Internal Audit**

The company has created the Internal Audit Department that enjoys complete technical independence being directly reporting to BACC and the Board of Directors. The department performs several duties, including:

- Control and review the performance of the various Company's departments to ensure sound applicability of the its systems, regulations and policies.
- Ensure the efficiency of internal control system of all departments of the Company and prepare relevant reports and present the same to the BACC and the Board of Directors.
- Review the observations raised by the external auditors concerning internal control systems and to ensure applying with the same.
- Ensure compliance of the Company with the related policies, systems and instructions.

Sixth Rule: Reinforcing Professional Conduct and Moral Values

Code of professional conduct and ethical values

***Summary of the work charter, which includes the criteria and determinants of professional conduct and ethical values:**

The Company, represented by the Board of Directors, the Executive Management and all employees believe that professional and ethical conduct is one of the most important elements of company's success to realize its objectives. Based on this belief, the Board of Directors adopted a policy to determine the standards of professional and ethical conduct in the Company, including the standards of professional and ethical conduct as well as the responsibilities of the Company, Board of Directors, Executive Management and employees. The policy also states that the responsibility of reporting in the event of observing any an incorrect action or misconduct falls on everyone without exception. The policy also addresses other important aspects such as the relationship with business partners, the integrity of financial statements, as well as information security and environmental health and safety. All Board members, Executive Management and employees must adhere to the policy in all their tasks and throughout their work times regardless of place and circumstances of work.

*** Summary of policies and mechanisms to limit cases of conflict of interest**

The Company's Board of Directors adopted a policy related to conflict of interest. This policy is designed to guarantee the application of appropriate measures to find out essential cases of conflict of interests and to effectively deal with the same. Further to ensure that the Board of Directors dealt with cases of conflict of interests, whether it is outstanding, potential or expected. The policy is also designed to ensure that all resolutions are adopted in a manner that guarantees achievement of the Company's interests. This policy is considered as an integral part of the Company's commitment to the integrity and ethical values in dealing with the stakeholders. The policy describes the basis of dealing with and managing cases of conflict of interests, the concept of conflict of interests, parties whose interests are in conflict with the interests of the company, as well as the roles of the Board of Directors, Executive Management, Compliance Department and Internal Audit Department, and the Company's General Assembly concerning the conflict of interests. Further, the policy reviewed the procedures of managing cases of conflict of interests and the mechanism for disclosing the same.

Seventh Rule: Accurate and timely Disclosure and Transparency

Disclosure and Transparency:

*** Summary of applying mechanism of presentation, accurate disclosure and transparency that determines aspects, field and features of disclosure.**

The Company is characterized by openness, credibility and cooperation. To realize the solid principles of the Company and the best governance practices and to observe all legal requirements, the Board of Directors has approved a policy related to disclosure and transparency that includes definition of some important legal terms. Further, the policy explains general policies, rules and procedure, and mechanism of disclosure. The policy also illustrates the Company's Disclosure Matrix. The Company's disclosures are published in its website. The objective of this policy is to develop general guidelines for Disclosure Department within the Company to perform operations effectively and efficiently. The Company has prepared special document indicating all periodical reports and records for regulatory entities.

*** Implementation the requirements of the disclosure record of members of the Board of Directors and Executive Management**

- The Company has prepared a special record for the disclosures of the members of the Board of Directors, the Executive Management and the Insiders.
- The company verifies the implementation of the rules for disclosure of interest and disclosure of material information as well as disclosure of insiders.

*** Summary of applying the requirements of formation of the Investors Relations unit**



- The company has created Investor Relations Unit and appointed thereto a competent employee who has wide experience in dealing with customers and investors.
- The Investor Relations Officer is responsible for managing the communication process and responding to shareholders' inquiries.
- He/she shall be fully and timely informed and familiar with developments and updates of the Company.

*** Overview of developing the infrastructure of information technology and depending on the same in the disclosure processes**

- The Company uses information technology to facilitate disclosure procedures.
- The Company has developed its website to comply with the governance and disclosure rules. The Company publishes all its disclosures on its website immediately after issuance to enable all stakeholders to view the same.
- The Company also relies on the electronic system to determine the percentages of interest achievements and changes thereon.
- The company has maintained a section for the corporate governance and investor affairs on its website so that all the latest information and data that help current and potential shareholders and investors to exercise their rights and evaluate the company's performance.
- Quarterly and annual financial statements are also placed on the company's website to enable all prospective shareholders and investors to see them at any time.

Eighth Rule: Protecting Shareholder Rights

Protecting Shareholder Rights

*** Summary of applying the requirements of determining and protecting shareholders' general rights to guarantee justice and equality among all shareholders.**

The Company is responsible towards the shareholder. In this regard, the Company adopts the highest criteria of corporate governance and believes that sound application of corporate governance reinforces value of its shareholders and provides appropriate instructions for the Board of Directors, its committees and the Executive Management to perform their duties to the best interests of the Company and shareholders. Thus, the Company endeavors to realize the highest level of transparency, accountability and effective management via adopting and following up execution of strategies, objectives and policies that is designed to commit itself to its regulatory and moral responsibilities.



It is worth mentioning that we activated and reinforced channels of contact with investors and financial analysts as the shares of the Company are traded in Kuwait Stock Exchange. In addition, the Company observes transparency and provides financial information about the Company via the various communication channels in accordance with the best professional practices of disclosure and transparency. The Company is keen on opening contacts with local and foreign investors and financial analysts to meet them and answer their inquiries, if any. Further, the company takes part in the investor conferences to reinforce contact with all categories of shareholders and financial community. The website provides set of information concerning the Company's financial statements and reports related to the Company's performance. Also, the Company has an approved set of policies for protecting shareholders' rights.

*** Overview of the establishment of a special register maintained by the clearing agency, as part of the requirements for continuous follow-up of shareholders details**

- Special register concerning shares and shareholders is maintained with Kuwait Clearing Company in accordance with the governance rules.
- The Investor Relations Officer keeps and maintains updated copy of shareholders register.
- The register is available to all shareholders for perusal from time to time as per the law without any charges.

*** Overview of Encouraging shareholders to take part and vote in the Company's General Assemblies.**

- The Company and the Board of Directors represented by Investor Relation Unit encourages shareholders to effectively participate and attend the Company's general assembly's meetings.
- The Company invites shareholders for the general assembly meeting in accordance with laws and regulations. Further, the Company enables the shareholders who have at least 10% of Company's capital to call for a general assembly meeting pursuant to the provision of the Company's Article of Associations.
- Sending invitations to shareholder to attend the meeting including the agenda, place and time of the meeting in accordance with the law.
- To assure that the shareholder has the right to delegate a third party to attend the general assembly meeting by virtue of a special power of attorney or authorization to be prepared by the Company.
- Before convening the general assembly with enough time, the Company provides shareholders with all information and statements related to the agenda, particularly the reports of the Board of Directors, auditors and financial statements.



Tenth Rule: Recognize the Roles of Stakeholders

Recognize the Roles of Stakeholders

***Summary of the Systems and Policies Guaranteeing Protection and Acknowledgement of the Stakeholders' Rights.**

The Company is endeavoring to respect and protect the rights of the Stakeholders in all its internal and external dealings and transactions, as the contributions made by Stakeholders represent a very critical source for establishing the competitive advantage of the Company and reinforcing the levels of its profit. To avoid any conflict between the Stakeholders' interests, whether contracts or transactions with the Company, and those of the shareholders, the Company has taken the following into consideration:

- No Stakeholder may have any privilege arising out of his contracts and transactions that fall within the routine business of the Company.
- The Company shall set internal policies and regulations guaranteeing a clear mechanism for awarding different types of contracts and transactions.

In addition, the Company has adopted a number of policies, including but not limited to:

- Protect the rights of Stakeholders policy.
- Conflict of interest policy.
- Reporting policy.
- Transactions with related parties' policy.

*** A brief on of How to Encourage Stakeholders to Participate in Following up the Company's Various Activities**

- The Company gives the opportunity to the Stakeholders to obtain the information and data related to their business through Investor Relations Unit, Customer Service Department, Complaints Unit, Company's website, continuous disclosures and through developing the performance methods and Stakeholders related services.
- The Company has set appropriate policies to enable Stakeholders to report to the Board of Directors any improper practices they are exposed to by the Company, while providing the appropriate protection to the reporting parties.

Tenth Rule: Enhance and Improve Performance

Improving Performance

Summary of the Measures of Implementation of the Requirements for the Development of Mechanisms that Allow for Continuous Access to Training Programs and Courses by Members of the Board of Directors and Executive Management.



- The Company has developed and prepared a plan to conduct courses and training programs for the members of the Board of Directors and the Executive Management to ensure that they have a full understanding of the Company's business and its operations as well as the obligations imposed on them.
- The said training courses include the financial and operational aspects relating to the Company's activities, the legal and regulatory obligations of the Board of Directors and the Executive Management, roles of the Board's committees as well as providing and training them on all the laws, resolutions and updates relating to the Company's activities and as issued by the regulatory bodies.

*** Summary on How to Evaluate the Performance of the Board of Directors and each Member of the Board and the Executive Management.**

- The Company has laid out policies and rules to measure and assess the performance of each member of the Board as well as of the Executive Management on periodical basis.
- The company has set a number of the performance indicators related to the extent of achieving the Company's strategic objectives, quality of risk management and adequacy of the internal control systems.
- Performance indicators allow the Company to specify the points of strength and weakness as well as rectification of the same in line with Company's interests.

*** Summary of the Efforts made by the Board of Directors to Create Corporate values (Value Creation) among Company's Employees through Achieving the Strategic Objectives and Improving Performance Rates.**

- The Board of Directors endeavors to create values within the Company on the short, medium and long terms through setting the procedures and mechanism aiming at achievement of the strategic objectives of the Company and improving the performance rates
- Developing the Integrated Reporting System in order to create corporate values.
- Making the employees aware of the methodology of the Company's business as well as the improvements and updates on the same.

Eleventh Rule: Focus on the Importance of Corporate Social Responsibility

Social Responsibility:

- * Summary on Setting a Policy for Creating Balance between the Objectives of the Company and those of the Society.**



- The Company has created Corporate Social Responsibility (CSR) policy allowing the Company to achieve its objectives. This policy integrates with the objectives of the society through moral acts and contributing in achieving sustainable developments of the community in general and for Company's staff in particular. This has been achieved through improving living, social and economic conditions of the staff and their families in addition to the community as a whole, contributing in the reduction of levels of unemployment, ideal utilization of available resources, providing job opportunities as well as supporting and encouraging national labor force.

***Summary of the Programs and Mechanisms Adopted to Highlight the Company's Efforts Exerted in the Social Work Domain:**

- The Company has prepared policies that guarantee disclosure of the objectives of social responsibility adopted by the Company in favor of its employees.
- Conducting awareness programs for the Company's employees to guarantee that they are aware of social responsibility's objectives carried out by the Company on continuous basis in order to promote the Company's position.
- The Company engages its employees in the performance of social responsibility programs in addition to their contribution in the different social activities carried out by the Company.
- The Company has conducted several social activities during the year 2018 with the aim of developing and strengthening the pillars of the social contributions and increasing the social, environmental and health awareness in the society.
- In the first quarter, the company participated in a scientific development program by sponsoring a school team in one of the private school.
- In the second quarter, the company provided meals to the poor and needy persons in Kuwait City.
- In the second quarter KMEFIC has provided Iftar meals during the holy month of Ramadan in Kuwait city.
- For the second year in a row, KMEFIC has activated courses and lectures for its globally renowned Toast Masters Club to promote self-confidence and develop leadership and community impact skills for all its employees, families, guests and customers.

Hamad Saleh Al-Thekair

Chairman of the Board

